North Carolina Consolidated Plan

2006-2010

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Purpose

The North Carolina Consolidated Plan 2006-2010 serves two purposes. First, it is the planning document that guides the Consolidated Plan partners in addressing housing and community development needs across the state for the next five years. Second, it is a tool that is used by the Consolidated Plan partners to inform various stakeholders -- including the United States Department of Housing and Urban Development (HUD), state and local officials, non-profit and advocacy organizations, and the residents of North Carolina -- of the need for improving the living conditions for our state's low-to-moderate income population. The Consolidated Plan partners run programs under the four funding sources for which HUD requires this plan: Community Development Block Grants (CDBG) managed by the North Carolina Department of Commerce, Division of Community Assistance (DCA); HOME funds managed by the North Carolina Housing Finance Agency (NCHFA); and Housing Opportunities for Persons with Aids (HOPWA) and Emergency Shelter Grants (ESG) both managed by the North Carolina Department of Health and Human Services (DHHS).

Background

The plan is organized into three major parts:

- The first section is the strategic plan itself, which is derived from the findings of the Housing Market Analysis and Needs Assessment. The Strategic Plan outlines the goals, objectives, and activities that the Consolidated Plan partners will undertake and strive for over the next five years to meet the needs of North Carolina's low-to-moderate income citizens.
- The middle section describes other regulatory requirements of the Consolidated Plan partners and how those requirements will be addressed over the next five years. These requirements include such directives as lead-based paint abatement, use of low-income housing tax credits, and collaboration among the partners and with outside organizations.
- The last section of the plan, the Housing Market Analysis and Needs Assessment, details the housing and community development needs of low-to-moderate income residents statewide.

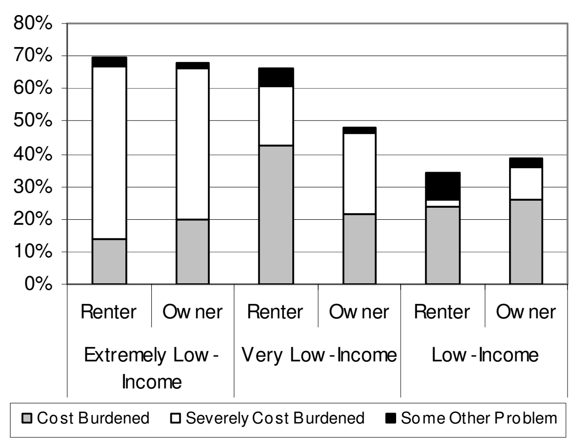
In creating the Housing Market Analysis and Needs Assessment, the Consolidated Plan partners first studied data regarding housing conditions, availability, cost, and other housing indicators. Additional factors were then considered: things that affect the living standards of North Carolinians other than housing, such as access to clean water, employment and other economic factors, and demographic changes seen in our state over the last ten years. From this data, a picture of the needs of low-to-moderate income North Carolinians was formed.

However, the picture would not be complete without qualitative data describing the priorities and needs of North Carolinians as they themselves see them. During the fall of 2004, Consolidated Plan partner staff held fifteen meetings around the state to present the findings of the quantitative study and determine if these match what local service providers experienced in their communities. The meetings produced qualitative data on the needs of residents by region. These two sets of data painted the picture of the housing and community development needs for North Carolinians for the next five years.

Housing and Community Development Needs in North Carolina

The Housing Market Analysis and Needs Assessment identifies many areas in which low-to-moderate income residents are lacking resources in order to live in safe, decent, and affordable housing. Based upon this research, North Carolina has a significant need for housing assistance for its low-income population. According to 2000 Census data, more than 358,000 renter households and more than 497,000 owner households in North Carolina had a housing problem.[1] Among North Carolina's low-income population, more than 320,000 renter households and 330,000 owner households had a housing problem (according to 2000 Census data). The primary problem North Carolinians experience is cost burdening. Of all households with a housing problem across the state, cost was the problem for 84% of renters and 21% of owners. The Consolidated Plan partners see the alleviation of cost burdening as a major goal over the next five years for the state's housing programs.

Figure ES1: Percent of each population group with housing problems.



In order to be most effective, and in acknowledgement of the scarce resources available to meet the housing and community development needs across the state, available resources must be targeted to the population most in need. Based on the findings of the Consolidated Plan partners, the primary need for housing assistance is for those North

[1] The United States Census Bureau defines a housing problem as either cost burdening, overcrowding, or inadequate kitchen or plumbing facilities.

Carolinians earning below 30 percent of area median income. Due to the rising cost of housing across the state in recent years, and income levels that are generally below $10,000 per year, the ability to afford any sort of safe, decent, and sanitary housing for this population is extremely problematic. Many of the people in this population are those on Supplemental Security Income (SSI), for whom the monthly stipend with which all of life's necessities are supposed to be provided is less than $600 a month. Affording a decent apartment on such a low income is nearly impossible without some sort of subsidy.

The data also showed that the affordability mismatch is nearly as dire for those earning between 31 and 50 percent of median area income. Many of these residents could be classified as the "working poor", earning less than eight dollars an hour. Although income for this population is higher, Figure ES2 shows that cost burdening is not significantly diminished from that of the extremely low income group. Therefore, a substantial subsidy is essential to help ensure that these residents are able to find safe, decent, and sanitary housing.

Figure ES2: Estimated Housing Needs

North Carolina Estimated Housing Needs				
Type of Household	**% MFI**	**Total Units Needed**	**Available Resources**	**Total Estimated to Meet Entire Need**
Small Related Renters	0-30% of MFI	43,296	CDBG, HOME, ESG, HOPWA, LIHTC, NC Housing Trust Fund	$865,920,000
	31-51% of MFI	11,410	CDBG, HOME, LIHTC, NC Housing Trust Fund	$228,200,000
	51-80% of MFI	7,013	CDBG, HOME, LIHTC, NC Housing Trust Fund	$140,260,000
Large Related Renters	0-30% of MFI	9,727	CDBG, HOME, ESG, HOPWA, LIHTC, NC Housing Trust Fund	$194,540,000
	31-51% of MFI	5,629	CDBG, HOME, LIHTC, NC Housing Trust Fund	$112,580,000
	51-80% of MFI	10,118	CDBG, HOME, LIHTC, NC Housing Trust Fund	$202,360,000
Elderly Renters	0-30% of MFI	19,110	CDBG, HOME, ESG, HOPWA, LIHTC, NC Housing Trust Fund	$382,200,000
	31-51% of MFI	5,733	CDBG, HOME, LIHTC, NC Housing Trust Fund	$114,660,000
	51-80% of MFI	1,787	CDBG, HOME, LIHTC, NC Housing Trust Fund	$ 35,740,000
All Other Renters	0-30% of MFI	44,557	CDBG, HOME, ESG, HOPWA, LIHTC, NC Housing Trust Fund	$891,140,000
	31-51% of MFI	13,691	CDBG, HOME, LIHTC, NC Housing Trust Fund	$273,820,000
	51-80% of MFI	3,586	CDBG, HOME, LIHTC, NC Housing Trust Fund	$ 71,720,000
Owner	0-30% of MFI	79,207	CDBG, HOME, NC Housing Trust Fund	$1,584,140,000
	31-51% of MFI	48,929	CDBG, HOME, LIHTC, NC Housing Trust Fund	$ 978,580,000
	51-80% of MFI	44,067	CDBG, HOME, LIHTC, NC Housing Trust Fund	$ 881,340,000

Foreclosure prevention is another strongly identified need. From 1998 to 2003, the number of households statewide that filed for foreclosure tripled. According to local service providers, this need results from the structural change in North Carolina's economy from one dependent on agriculture and non-durable goods manufacturing, such as textiles, to one that focuses primarily on services and higher-end manufacturing. Although North Carolina's economy grew rapidly during the 1990s, decline in many traditional industrial sectors, such as furniture, textiles, and tobacco, put a strain on many families' ability to afford housing.

This change in the state's economy is not the only shift that was evident over the past ten years. North Carolina has experienced tremendous immigration in the last decade, primarily of three types. The first group is made of young professionals with jobs in the state's growing industries such as biotech and pharmaceuticals; these new residents are drawn to the state's urban centers because of their economic opportunities. The second group is an influx of retirees looking to take advantage of North Carolina's natural beauty and mild climate; they are drawn to the state's mountain or coastal regions. The third group generally emigrates from outside the country and is looking to North Carolina as a place for a new start to their lives. They bring hope of economic prosperity and a willingness to work long hours in difficult jobs. These new immigrants, the families of workers displaced from traditional industries, and all low and moderate income residents in need of housing or community development assistance are the target groups for the Consolidated Plan partners.

North Carolina's homeless population has grown in recent years. A point-in-time count taken on December 15, 2003 found 9,687 homeless persons statewide. The point-in-time count of January 26, 2005 recorded 11,165 homeless persons in North Carolina. Furthermore, a significant number of the state's homeless population are children; reports from ESG recipients indicate that at least 13% of North Carolina's homeless persons are children.

In the next five years, North Carolina is likely to need more rental assistance, new construction of affordable and accessible rental housing, and rehabilitation and/or preservation of existing affordable housing—particularly to increase affordable and accessible housing opportunities to those earning less than 30% of median family income.

The primary community development need indicated by local service providers is for clean water and appropriate wastewater disposal for residential areas, whether by public sewer lines or repair or replacement of on-site wastewater systems. Access to clean water is especially problematic in rural areas of our state where households must depend on personal or community wells. Contamination, poor water quality, and the shrinking of some aquifers have made water quality so poor in some areas that public health is threatened. For many families repairing or replacing an on-site wastewater disposal system is simply cost prohibitive. Failing septic systems and straight piping of waste into streams or fields are a threat to both public and environmental health.

Strategic Plan

As stated earlier, the Housing Market Analysis and Needs Assessment was used to create the goals, objectives, and strategies of the strategic plan. Based on the severity of need, the Consolidated Plan partners assigned priorities to populations differentiated by income, tenure, and urban/rural status.[2] Figure ES3 displays the priority assignments for each category of household in the state.

[2] For purpose of this plan, urban areas are defined as all CDBG entitlement areas in the state. A CDBG entitlement area is a municipality or county that receives CDBG funds directly from the United States Department of Housing and Urban Development, and does not participate in the statewide Small Cities program. These areas include two counties (Wake and Cumberland) and 23 municipalities: Asheville, Burlington, Cary, Chapel Hill, Charlotte, Concord, Durham, Fayetteville, Gastonia, Goldsboro, Greensboro, Greenville, Hickory, High Point, Jacksonville, Kannapolis, Lenoir, Morganton, Raleigh, Rocky Mount, Salisbury, Wilmington, and Winston-Salem.

Figure ES3: Descriptions of Priority Populations

High Priority Need	*Medium Priority Need*	*Lower Priority Need*
▪ Homeless Families and Individuals ▪ Nonhomeless Persons with Special Needs ▪ Urban Renters Earning 0-30% of MFI ▪ Rural Renters Earning 0-50% of MFI ▪ Existing Urban Homeowners Earning 0-30% of MFI ▪ Existing Rural Homeowners Earning 0-50% of MFI*	▪ Urban Renters Earning 31-50% of MFI ▪ Rural Renters Earning 51-60% of MFI ▪ Existing Urban Homeowners Earning 31-50% of MFI ▪ Existing Rural Homeowners Earning 0-50% of MFI*	▪ Urban Renters Earning 51-80% of MFI ▪ Rural Renters Earning 61-80% of MFI ▪ Existing Homeowners Earning 51-80% Median Family Income ▪ Potential Homebuyers Earning 30-80% of MFI whose needs are not met by the market

* ***Existing Rural Homeowners are differentiated in priority by type of activity and/or type of household (elderly are considered high priority, non-elderly are medium priority).***

The need of each type of household will be addressed by at least one of the four Consolidated Plan partners over the next five years. The Strategic Plan describes each element and activity that will be utilized by the Consolidated Plan partners to address these needs. Figure ES4, on the following page, summarizes the strategies to be employed to address the needs for each population group by the Consolidated Plan partners over the next five years. Additionally, the estimated dollar amount to be spent on each activity from 2006-2010 is provided.[3]

[3] These dollar amounts assume no major changes to federal funding of the Consolidated Plan partners' programs from 2006-2010.

Figure ES4: Total Funding Estimates for Each Priority Need Category

(For a list of programs/funding sources mentioned here, please see Appendix B. Table excludes Mortgage Revenue Bond and Mortgage Credit Certificate financing.)

High		
Homeless Persons		
Operating Costs for Homeless Providers	*ESG*	$10,000,000
Supportive Services	*ESG*	$800,000
Emergency Shelter Construction and Rehabilitation	*SHDP*	$1,000,000
Supportive Housing	*SHDP*	$8,000,000
Homeless Prevention	*ESG, HOPWA*	$5,250,000
subtotal		$25,050,000
Non-Homeless Persons with Special Needs**		
Rent Assistance	*HOPWA, KEY*	$7,250,000
Supportive Housing	*SHDP*	$8,000,000
Operating Assistance	*HOPWA*	$2,000,000
Supportive Services	*HOPWA*	$300,000
subtotal		$17,550,000
High-priority Renters		
Rent Assistance	*none*	$0
Financing of Rental Rehabilitation	*CN, RS, SSH, Tax Credits, PLP, RPP*	$79,243,000
Financing of New Construction	*HD, Tax Credits, RPP*	$235,550,000
subtotal		$314,793,000
High-priority Owners		
Urgent Repair	*URP, SSH*	$12,600,000
Comprehensive Rehabilitation	*SFR, SSH, CN, RS*	$35,600,000
Replacement Housing	*SSH, CN, RS*	$32,000,000
Foreclosure Prevention Activities	*HPPP, MRB*	$2,780,000
Residential Water/Sewer Infrastructure	*IF Hook-up, CN, RS*	$25,100,000
subtotal		$108,080,000
Total High-priority Funding		$465,473,000

Medium		
Medium-priority Renters		
Financing of Rental Rehabilitation	*Tax Credits, PLP, RPP, CN, RS*	$88,020,000
Financing of New Construction	*Tax Credits, RPP, CN, RS*	$270,550,000
subtotal		$358,570,000
Medium-priority Owners		
Comprehensive Rehabilitation	*SFR, SSH, CN, RS*	$16,320,000
Replacement Housing	*SSH, CN, RS*	$14,600,000
Refinancing	*none*	$0
Residential Water/Sewer Infrastructure	*IF Hook-up, CN, RS*	$10,650,000
subtotal		$41,570,000
Total Medium-priority Funding		$400,140,000

Low		
Low-priority Renters		
Financing of Rental Rehabilitation	*Tax Credits, PLP, RPP, CN, RS*	$31,875,000
Financing of New Construction	*Tax Credits, RPP, HD*	$99,350,000
subtotal		$131,225,000
Homebuyers		
Individual Development Accounts	*DCA's IDA, NCHFA's IDAP*	$8,750,000
First and Second Mortgages	*ROM, NHLP, SHLP*	$42,600,000
Downpayment Assistance	*DAP (ADDI)*	$6,310,000
Financing of New Construction	*HD*	$3,150,000
subtotal		$60,810,000
Low-priority Owners		
Comprehensive Rehabilitation	*SFR, CN, RS*	$3,905,000
Replacement Housing	*CN, RS*	$450,000
Refinancing	*none*	$0
Residential Water/Sewer Infrastructure	*IF Hook-up, CN, RS*	$1,800,000
subtotal		$6,155,000
Total Low-priority Funding		$198,190,000

** Includes the following:
- Persons with disabilities
- Low-income elderly persons
- Persons with HIV/AIDS

Table excludes Mortgage Revenue Bond and Mortgage Credit Certificate financing.

The Consolidated Plan partners plan to target the largest amount of funding to high-priority needs – over $465 million dollars from 2006-2010 in federal, state, and private funds. Medium and low priority populations and activities will also be addressed, with an expected $400 million to be spent to address medium priority needs and $198 million to address low priority needs.

Needs vs. Funding Levels

Figure ES4 depicts the priority of needs (high, medium, or low) among populations in the state as determined through the Housing Market Analysis and Needs Assessment, ranked according to severity and prevalence of need, and the allocation of funding. Although the Consolidated Plan partner agencies attempt to match funding levels to priority of needs in the state, they must also balance other considerations. These include:

- The amounts of various funding sources and the federal and state regulations governing the permitted uses of these funds.
- The capability and willingness of partners around the state to undertake various housing or community development activities.
- Continuity of programs established when priorities were different.

Funding levels of federal programs have perhaps the greatest impact in creating a mismatch between need and dollars allocated. For example, the ESG program exclusively serves the high-priority population of the very low income homeless and the Mortgage Revenue Bond (MRB) program assists the low-priority category of moderate income first time homebuyers. Yet, in 2004, the ESG program for North Carolina received only a $2.3 million allocation from HUD while the MRB program was able to access $160 million from tax-exempt bond sales, for mortgages over approximately the same period. None of the funds from the MRB program can be used to assist the homeless – or to do anything but provide mortgages with a shallow interest subsidy to qualifying buyers – but the relative funding levels of these two programs results in more funding going toward a low-priority activity.

Regulatory requirements also restrict use of various funding sources. For example:

- Mortgage Credit Certificate (MCC) and Mortgage Revenue Bond (MRB) funds must be used for homeownership.
- Equity from Federal Low Income Housing Tax Credits (LIHTC) and State tax credits can only assist in rental development and rehabilitation.
- Community Development Block Grant (CDBG) funds cannot be used for the construction of permanent housing (although infrastructure supporting permanent housing is permitted). CDBG also cannot be used for rent assistance, another high priority need.
- HOME funds cannot be used for the construction of homeless shelters, nor for rent assistance lasting longer than two years.
- American Dream Downpayment Initiative (ADDI) funds must be used on homeownership.

- Housing Opportunities for Persons With AIDS (HOPWA) funds must serve households or individuals with HIV or AIDS.
- Emergency Shelter Grant (ESG) funding must serve homeless populations.

Readers will notice that Homebuyers fall into the Low Priority category in Figure ES3. They will also notice that, of the funding sources discussed in Figure ES4, $60.81 million is proposed to enable low-income households to purchase homes. This is 5.7% of the funds in Figure ES4, and 23.1% of the funds about which the State has discretion. (The State has discretion about using HOME, CDBG, and funds appropriated by the General Assembly for either high, medium, or low priority activities. The activities funded by ESG, HOPWA, MRB funds, MCC funds, Duke Power funds, and Tax Credit equity are limited enough that the state does not have the option to redirect those funds toward other activities in a different priority category.)

Readers will also notice that $25.05 million is dedicated to serving homeless populations. While this is only 2.4% of the funds reflected in Figure ES4, it is worth noting that an indeterminate amount of the funds serving high priority renters (rental rehabilitation and new construction) also serve homeless populations, and a very large percent of the Urgent Repair funds and Foreclosure Prevention funds for high priority homeowners prevent homelessness in households that are at great risk of becoming homeless.

Finally, readers will notice that $17.55 million in Figure ES4 is identified as serving non-homeless households with special needs. However, there are other programs that serve this population but cannot be labeled as specifically for non-homeless households with special needs. For example, NCHFA limits its Urgent Repair program, a program of $10 million, to households where at least one member has special needs (either is elderly or disabled). The program is not specifically included in the Special Needs section because it is primarily considered a homeowner repair program. Another example is the Scattered Site Housing program from DCA. DCA plans to spend up to $55 million on housing rehabilitation and replacement over the next five years. More than likely, the majority of these residents will be either elderly or be categorized as special needs. However, since a special need is not mandated for the household to be included in the program, the activity has been listed as targeting high and medium priority homeowners. In addition NCHFA's Urgent Repair program and the programs identified in the table as serving special needs populations, the Agency also requires that 10% of the LIHTC units have accessible design (utilizing approximately $79.24 million in investment). These units benefit some number of households with special needs, but the number is unknown.

Strategies for Homeless and Special Needs Populations

The primary strategy to address homelessness will continue to be the provision of operating funds to local homeless shelter providers through the ESG program. Although ESG funding has more flexibility than the state is utilizing, funding for daily operations is in high demand, so the ESG will continue to be used for that need. However, recognizing needs other than operating assistance, the ESG program will provide over $1,000,000 over the next five years to supportive services and homeless prevention. NCHFA, through its Supportive Housing Development Program (SHDP), will provide funds for emergency shelter construction and rehabilitation and for construction of new supportive housing developments.

The SHDP will also provide approximately $8 million for non-homeless persons with special needs,[4] also a high-priority population. The Consolidated Plan partners will also assist these residents by providing rent assistance through one of two programs: the HOPWA program and the KEY program, a collaboration of NCHFA and the North Carolina Department of Health and Human Services. HOPWA will also help persons with special needs by providing over $2,000,000 in funds from 2006-2010 for operating assistance for supportive housing developments and supportive services for persons with HIV/AIDS.

Strategies for Renters

Renters will be assisted primarily through the financing of new construction of rental units to meet the needs of low-income residents. The financing and subsidy of these developments will come from NCHFA's Low Income Housing Tax Credit program, NCHFA's Rental Production Program, and DCA's Housing Development program. In addition, DCA and NCHFA over the next five years will target over $200 million to rehabilitation of rental units occupied by low-to-moderate residents through various programs.

Strategies for Homeowners and Home Buyers

The Consolidated Plan partners will also consider low-to-moderate homeowners an important target population. Improving the housing stock through comprehensive rehabilitation or replacement will be the primary method the Consolidated Plan partners will use to address the needs of qualifying homeowners. Elderly residents will be considered high priority for rehabilitation or replacement of their home. When emergencies arise, NCHFA's Urgent Repair program and DCA's Scattered Site Housing program will provide funds for emergency repairs in order to prevent residents from having to leave their homes and possibly becoming homeless. DCA expects to provide over $35 million to either install new public water and/or wastewater lines, install connections to existing public lines, or repair or replace on-site systems. Residents suffering from poor water quality, negligible water supply, and/or failing septic systems, creating a danger to public health, will be considered a high priority and will receive the majority of the funding. Furthermore, NCHFA expects to devote over $2.5 million to foreclosure prevention activities to further stem the tide against potential homelessness.

The Consolidated Plan partners will also address homebuyers whose needs are not served by the conventional real estate market, though serving this population is considered a low priority. The majority of funding for this population will come in the form of first and

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[4] Persons with special needs are defined as persons with disabilities, low-income elderly persons, and persons with HIV/AIDS.

second mortgages from NCHFA. Both NCHFA and DCA will participate in the Individual Development Account program for first-time homebuyers, providing financial literacy, homebuyer education training, and down payment assistance for qualifying applicants. NCHFA will also provide down payment assistance from the federal American Dream Downpayment Initiative funds. Finally, DCA will provide up to $3.15 million in funds to help lower the cost of new single family housing construction for low-to-moderate income residents.

Other Strategies

The Strategic Plan also addresses other strategies than those outlined in Figure ES4. DCA will implement numerous community development strategies, such as capacity building and development of human capital, aimed at improving the community fabric and social cohesiveness necessary to keep neighborhoods thriving. Furthermore, DCA and the Commerce Finance Center will continue to implement economic development activities through CDBG funds, providing and retaining good-paying jobs in our state's rural areas that have been hardest by the recent economic downturn. NCHFA will continue its Low Income Housing Tax Credit program (included in Figure ES4), as well as efforts to lower the incidence of lead poisoning from lead-based paint. The Consolidated Plan partners have identified a number of barriers to affordable housing, as well as goals and objectives to help eliminate those barriers and ease these unnecessary burdens keeping decent, affordable housing elusive in many of our communities statewide.

Conclusion

The North Carolina Consolidated Plan 2006-2010 serves as a blueprint to addressing the housing and community development needs of low-to-moderate income North Carolinians. Assuredly, the limited resources of the Consolidated Plan partners are not sufficient to eradicate all of these needs. However, the partners feel certain that by meeting the goals and objectives of this plan, significant strides will be made to improve the lives of many of our state's most needy residents.

ACKNOWLEDGEMENTS

The Consolidated Plan partners are four agencies that work together to improve housing, economic, and living conditions for North Carolina's low-income population. They are the North Carolina Division of Community Assistance (a division of the North Carolina Department of Commerce), the North Carolina Housing Finance Agency, the North Carolina Office of Economic Opportunity, and the AIDS Care Unit of the North Carolina Department of Health and Human Services. Following is listed the directors of the Consolidated Plan partners, whose leadership and vision were a driving force in the writing of this plan.

Evelyn Foust, *HIV/STD Prevention and Care Branch Head, North Carolina Department of Health and Human Services*
Bob Kucab, *Director, North Carolina Housing Finance Agency*
Gloria Nance-Sims, Director, *North Carolina Division of Community Assistance*
Lawrence Wilson, Chief, *Office of Economic Opportunity*

PROCESS

Although the North Carolina Division of Community Assistance, located within the state Department of Commerce, is designated as the lead agency for this plan, it is a genuinely collaborative effort of the partners – the North Carolina Housing Finance Agency, the North Carolina Office of Economic Opportunity and the AIDS Care Unit of the North Carolina Department of Health and Human Services. The strong partnership, mutual respect, and dedication to a combined effort to improve the lives of all North Carolinians truly made the consolidated planning process a worthwhile endeavor. A summary of each agency and its focus follows.

The Division of Community Assistance: The Division of Community Assistance (DCA) provides aid to North Carolina's local governments and nonprofit community organizations in the areas of community development, growth management, economic development, and public management through the Community Development Block Grant (CDBG) program, the Office of Urban Development, and through direct technical assistance to local governments. The federally funded Community Development Block Grant program provides funds to local governments for community and economic development to benefit low- and moderate-income people. Typical projects may include housing rehabilitation, new affordable housing, neighborhood infrastructure improvements such as installation of water and sewer lines, adaptive reuse of older buildings, and small business development. Awarding of grants in the Community Revitalization category, which includes the Concentrated Needs and Revitalization Strategies programs, is a competitive process. All other grant categories are awarded through a non-competitive process.

The new Office of Urban Development houses the state's Main Street Program, Small Towns Initiative, and Urban Redevelopment programs. The Main Street Program helps to strengthen North Carolina's downtowns as a focal point for community life and economic activity. Main Street staff works with communities, local businesses and state agencies to strengthen downtown revitalization efforts. The Small Towns Initiative, funded by a grant from the Z. Smith Reynolds foundation, provides technical assistance and design planning for communities wishing to grow their downtown business district as a way to spur economic development, but may be too small or not yet developed enough for the Main Street program. The Urban Redevelopment program provides grants of up to $1,000,000, using de-programmed CDBG Economic Development funds, for large-scale redevelopment projects in rural downtowns.

The Community Planning Program has staff in seven regional offices to assist local governments and community organizations with a variety of tasks, including: strategic planning, growth management planning and ordinances, capital improvement planning, goal setting, program development, and intergovernmental planning and coordination.

The North Carolina Housing Finance Agency: Formed in 1973 by the General Assembly, the North Carolina Housing Finance Agency exists to create affordable housing opportunities for North Carolinians whose needs are not met by the market. It creates these opportunities in a variety of ways, ranging from helping nonprofit organizations, local governments, and for-profit entities develop affordable homes and apartments to providing low-cost mortgages for first-time home buyers. It operates federal and state housing programs including the Mortgage Revenue Bond program, the Housing Credit Program, and the North Carolina Housing Trust Fund.

The HIV/STD Prevention and Care Branch: The mission of the HIV/STD Prevention and Care Branch is to reduce and eventually eliminate morbidity and mortality due to sexually transmitted diseases (syphilis, gonorrhea and Chlamydia), Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS), and to assure that an up-to-date continuum of care services are available to all HIV-infected individuals residing in North Carolina. The Unit administers the following federal programs: Ryan White HIV C.A.R.E. Program, HIV Case Management Services, Medicaid Community Alternatives Program (CAP-AIDS), HIV Medications Program/AIDS Drug Assistance Program, and Housing Opportunities for Persons With AIDS (HOPWA). The AIDS Care Unit contracts with a variety of regional and local community–based organizations, including HIV Care Consortia, public health departments, home health agencies, hospitals, family care homes, independent living apartments, transitional houses, housing authorities, AIDS service organizations, and others for the provision of services through these programs.

The North Carolina HIV/STD Prevention and Care Branch in general provides 1) information on Sexually Transmitted Diseases (STDs), HIV, and AIDS for individual citizens, the media, policy makers, service providers and healthcare workers; 2) resources for public health professionals and community-based organizations trained to assist in the prevention of STDs (including HIV/AIDS); 3) STD treatment guidelines for health care providers; 4) information about a variety of case management and care services available to persons living with HIV/AIDS; 5) statistics on STDs (including HIV/AIDS) in North Carolina; 6) a collection of resources for public health prevention efforts directed toward reducing the number of cases of HIV/AIDS/STDs in North Carolina; 7) information for use in health policy planning, evaluation and research; and 8) presentations to special interest groups.

Office of Economic Opportunity: The Office of Economic Opportunity (OEO) is housed in the Department of Health and Human Services. The Office helps low-income families achieve economic self-sufficiency by administering three major federal programs: the Community Services Block Grants Program, the Weatherization Assistance Program and the Emergency Shelter Grants Program. The majority of funds administered by OEO flows to local community action agencies and other community-based organizations.

Created by the federal Omnibus Budget Reconciliation Act of 1981, the Community Services Block Grant (CSBG) Program provides a range of services designed to assist low-income people to attain the skills, knowledge, and motivation necessary to achieve self-sufficiency. The federal grant program permits a wide range of local program activities to assist low-income participants in employment, education, better use of available income, housing, emergency assistance, community involvement, and more effective use of other programs. Thirty-six Community Action Agencies provide services to low-income families throughout the State under the CSBG Program.

Funded through the U.S. Department of Energy, the Weatherization Assistance Program assists low-wealth citizens in saving energy and reducing expenses through the installation of energy conservation materials and the implementation of energy efficiency measures in their homes. Priority is placed on providing assistance to senior citizens, disabled persons and low-income families with children. A companion program, the Heating and Air Repair and Replacement Program (HARRP), was created in North Carolina in 1995 through the use of Low Income Home Energy Assistance Program funds. HARRP provides funds to repair and, in some instances, replace heating and/or air conditioning systems in the homes of low-income families.

The Emergency Shelter Grants (ESG) Program improves the quality of existing emergency homeless shelters, helps meet the costs of operating emergency shelters and transitional housing programs, and provides certain essential social services to homeless individuals and families with children so that they may improve their situations. The ESG program also restricts the increase of homelessness through homeless prevention efforts. The program is funded by the U.S. Department of Housing and Urban Development (HUD).

NORTH CAROLINA STRATEGIC PLAN

Participating Agencies:

North Carolina Division of Community Assistance
North Carolina Housing Finance Agency
North Carolina Department of Health and Human Services, Office of Economic Opportunity
North Carolina Department of Health and Human Services, AIDS Care Unit

SUMMARY

Figure S.1 outlines the major strategies to be used by the Consolidated Plan partners to target the state's housing and community development needs as identified in the Housing Market Analysis and Needs Assessment (beginning on page 133). In this plan there is a differentiation between the needs and activities in rural and urban[5] areas. During the needs assessment process, it became clear that urban and rural North Carolina have different needs across income levels and therefore different strategies will need to be employed to address them. A further discussion of each of these target populations and strategies is discussed in the body of the Strategic Plan.

Figure S.1: Priorities table

	High	Medium	Low
Urban	**Homeless Persons**	**Renters at 31-50%**	**Renters at 51-80%**
	Operating Costs for Homeless Providers	Financing of Rental Rehabilitation	Financing of Rental Rehabilitation
	Homeless Prevention	Financing of New Construction	Financing of New Construction
	Supportive Services	**Homeowners at 31-50%**	**Homebuyers at 30-80% in areas where**
	Emergency Shelter Construction and Rehabilitation	Comprehensive Rehabilitation	**needs are not met by the market**
	Supportive Housing	Refinancing	Individual Development Accounts
	Non-Homeless Persons w/ Special Needs**		First and Second Mortgages
	Rent Assistance		Downpayment Assistance
	Supportive housing		Financing of New Construction
	Operating Assistance		**Homeowners at 51-80% where needs are**
	Supportive Services		**not met by market**
	Renters at 0-30%		Comprehensive Rehabilitation
	Rent Assistance		Refinancing
	Financing of Rental Rehabilitation		
	Financing of New Construction		
	Homeowners at 0-30%		
	Urgent Repair		
	Comprehensive Rehabilitation		
	Foreclosure Prevention Activities		
Rural	**Homeless Persons**	**Renters at 51-60%**	**Renters at 61-80%**
	Operating Costs for Homeless Providers	Financing of Rental Rehabilitation	Financing of new construction
	Homeless Prevention	Financing of New Construction	Financing of rental rehabilitation
	Supportive Services	**Homeowners at 0-50%**	**Homebuyers at 30-80% in areas where**
	Emergency Shelter Construction and Rehabilitation	Comprehensive Rehabilitation	**needs are not met by market**
	Supportive Housing	for the Non-elderly	Individual Development Accounts
	Non-Homeless Persons w/ Special Needs**	Replacement Housing	First and Second Mortgages
	Rent Assistance	Refinancing	Downpayment Assistance
	Supportive Housing	Residential Water/Sewer Infrastructure	Financing of New Construction
	Operating Assistance		**Homeowners at 51-80%**
	Supportive Services		Comprehensive Rehabilitation
	Renters at 0-50%		Refinancing
	Rent Assistance		Residential water/sewer infrastructure
	Financing of Rental Rehabilitation		
	Financing of New Construction		
	Homeowners at 0-50%		
	Urgent Repair		
	Comprehensive Rehabilitation		
	Replacement Housing		
	Foreclosure Prevention Activities		
	Residential Water/Sewer Infrastructure		
	(when danger to public health)		

****Includes the following:**
Persons with Disabilities
Low-income Elderly Persons
Persons with HIV/AIDS

[5] For purpose of this plan, urban areas are defined as all CDBG entitlement areas in the state. A CDBG entitlement area is a municipality or county that receives CDBG funds directly from the United States Department of Housing and Urban Development, and does not participate in the statewide Small Cities program. These areas include two counties (Wake and Cumberland) and 23 municipalities: Asheville, Burlington, Cary, Chapel Hill, Charlotte, Concord, Durham, Fayetteville, Gastonia, Goldsboro, Greensboro, Greenville, Hickory, High Point, Jacksonville, Kannapolis, Lenoir, Morganton, Raleigh, Rocky Mount, Salisbury, Wilmington, and Winston-Salem.

Figures S.2, S.3, and S.4 below describe the strategies and objectives that the Consolidated Plan partners will address over the next five years. These tables and charts also summarize the expected accomplishments of the Consolidated Plan partners from 2006-2010. The background information for these numbers can be found in the body of the strategic plan, beginning on page 17. The strategies and objectives of the Consolidated Plan are designed to address the needs described in the Housing Market Analysis and Needs Assessment, beginning on page 133, and the quantifiable numbers resulting from the CHAS data tabulations done by the United States Census Bureau[6] (see Appendix A).

Figure S.2: Housing Strategies and Objectives

High Priority

		Anticipated Funding	Anticipated Households/ Individuals
Homelessness			
Strategy 1: Prevent homelessness in North Carolina.			
	Objective 1.1: Provide up to $250,000 in ESG funds for financial assistance to approximately 5,000 households over the next five years to pay late rent, mortgage payments, first month's rent, security deposits, utility deposits and/or arrearages so that they may secure permanent housing or prevent their eviction from permanent housing.	$ 250,000	5,000
	Objective 1.2: Provide emergency financial assistance in the form of short-term rent, mortgage and utility payments to approximately 2,000 persons living with HIV/AIDS and their families over the next 5 years using $5 million in HOPWA funds.	$ 5,000,000	2,000
Strategy 2: Provide operating support to homeless providers in North Carolina.			
	Objective 2.1: Provide $10,000,000 over the next five years to assist over 110 organizations across the state with operating costs for homeless shelters. These funds will assist in providing shelter to over 14,000 homeless single adults and 30,000 members of homeless families each of the next five years.	$ 10,000,000	220,000
Strategy 3: Provide supportive services to homeless individuals and families to help them transition to housing stability.			
	Objective 3.1: Using approximately $800,000 of the state's ESG allocation over the next five years, subsidize the provision of one or more needed services to approximately 30,000 homeless individuals and families served by ESG-funded homeless facilities. These needed services will assist homeless individuals and families in their transition from homelessness to stability.	$ 800,000	30,000
Strategy 4: Increase the supply of decent and sanitary emergency shelter beds for homeless populations in North Carolina.			
	Objective 4.1: Create 200 beds of emergency shelter using approximately $1 million from the North Carolina Housing Finance Agency Supportive Housing Development Program between 2006 and 2010.	$ 1,000,000	200
	Objective 4.2: Create a working group under the ICCHP to recommend the use of new funding sources for emergency shelter construction and rehabilitation.		
Strategy 5: Increase the number of supportive housing units for homeless people.			
	Objective 5.1: Develop 400 units of supportive housing for homeless persons with disabilities utilizing $4 million in HOME and $4 million from the Housing Trust Fund through the NCHFA Supportive Housing Development Program.	$ 8,000,000	400

[6] Comprehensive Housing Affordability Strategy figures come from the U.S. Census Bureau. The North Carolina Estimated Housing Needs table (Figure ES2, page 7) tabulates the worst case need scenario for the state.

Figure S.2: Housing Strategies and Objectives (continued)

	Anticipated Funding	Anticipated Households/ Individuals
Special Needs		
Strategy 6: Increase the ability of special needs populations to access existing rental units.		
Objective 6.1: Provide rent assistance to 150 households using approximately $1 million in HOPWA funds between 2006 and 2010, and provide 10 years of rent assistance to 680 households in Tax Credit developments with $6.25 million in HOME Match.	$ 7,250,000	830
Strategy 7: Increase the supply of decent, affordable supportive housing for special needs populations in North Carolina.		
Objective 7.1: Develop 400 units of supportive housing for non-homeless persons with disabilities using $4 million in HOME and $4 million from the Housing Trust Fund between 2006 and 2010.	$ 8,000,000	400
Strategy 8: Provide operating assistance for service providers.		
Objective 8.1: From 2006-2010, an estimated $2 million of HOPWA funds will be used for operating expenses for dedicated housing facilities.	$ 2,000,000	350
Strategy 9: Orchestrate supportive services and rent assistance.		
Objective 9.1: Allocate approximately $300,000 in HOPWA funds to link supportive services with operating expenses in a dedicated housing facility and short-term rent, mortgage and utility payments for approximately 650 non-homeless persons living with HIV/AIDS.	$ 300,000	650
High Priority Renters		
Strategy 10: Increase the supply of new rental units affordable to high priority renters.		
Objective 10.1: Finance the development of 4,540 rental units affordable to high-priority renters between 2006 and 2010.	235,550,000	4,540
Strategy 11: Preserve the rental housing stock affordable to high priority renters.		
Objective 11.1: Finance rehabilitation of 1,830 units for high-priority renter households from 2006-2010 using approximately $73.4 million in state and federal tax credit equity, $5 million in CDBG funds, and $843,000 in HOME funds .	79,243,000	1,830
High Priority Owners		
Strategy 12: Eliminate housing threats to life and safety among high priority homeowners.		
Objective 12.1: Provide urgent repair to 3,500 elderly or disabled households whose homes are in dire need of immediate attention. These activities will be funded using $10 million from the North Carolina Housing Trust Fund and $2.6 million of CDBG funds.	$ 12,600,000	3,500
Strategy 13: Preserve the affordable owner-occupied housing stock owned by high priority owners.		
Objective 13.1: Rehabilitate 1,075 homes for high priority households, utilizing $19 million in HOME funds, $16 million in CDBG funds, and $600,000 in DukeHELP funds.	$ 35,600,000	1,075
Strategy 14: Replace dilapidated homes occupied by high priority owners.		
Objective 14.1: Provide a suitable and comparable replacement home for 550 elderly and other high priority households utilizing approximately $32 million in CDBG funds.	$ 32,000,000	550
Strategy 15: Prevent foreclosure for high priority homeowners who have lost their jobs through no fault of their own.		
Objective 15.1: Prevent foreclosure for 475 homeowners with $2.5 million in state-appropriated funds for the Home Protection Pilot Program and $280,000 in NCHFA funds.	$ 2,780,000	475
Strategy 16: Provide infrastructure for high priority owners in need.		
Objective 16.1: Provide approximately 500 high priority households with new water and/or wastewater services using approximately $21 million in CDBG funds. Allow for an additional 900 households to receive hook-ups to public water and/or wastewater lines using $2.8 million in CDBG funds and for repair of on-site well and/or septic systems for 265 households using $1.3 million in CDBG funds from the Division of Community Assistance.	$ 25,100,000	1,665
Total High Priority	$ 465,473,000	273,465

Figure S.2: Housing Strategies and Objectives (continued)

Medium Priority

		Anticipated Funding	Anticipated Households/ Individuals
Medium Priority Renters			
Strategy 17: Increase the supply of new rental units affordable to medium priority renters.			
	Objective 17.1: Finance the development of 5,085 new rental units affordable to medium priority renters.	$ 270,550,000	5,085
Strategy 18: Preserve existing rental housing affordable to medium priority renters.			
	Objective 18.1: Finance rehabilitation of 1,945 units for medium priority renter households using approximately $85 million in state and federal tax credit equity, $2.1 million in CDBG funds, and $920,000 in HOME funds.	$ 88,020,000	1,945
Medium Priority Owners			
Strategy 19: Preserve the affordable owner-occupied housing stock owned by medium priority owners.			
	Objective 19.1: Rehabilitate 500 homes for medium priority homeowners, utilizing $8.3 million in HOME funds, $7.3 million in CDBG funds, and $720,000 in DukeHELP funds.	$ 16,320,000	500
Strategy 20: Replace inadequate homes occupied by medium priority owners.			
	Objective 20.1: Provide a replacement home for 240 medium priority households utilizing approximately $14.6 million in CDBG funds in order to provide safe, decent, and sanitary living conditions.	$ 14,600,000	240
Strategy 21: Provide infrastructure for medium priority owners in need.			
	Objective 21.1: Provide approximately 215 medium priority households with new water and/or wastewater services living in areas with no public water or wastewater lines using approximately $8.8 million in CDBG funds. Allow for an additional 400 households to receive hook-ups to public water and/or wastewater lines using $1.2 million in CDBG funds and for repair of on-site well and/or septic systems for 130 households using $650,000 in CDBG funds from the Division of Community Assistance.	$ 10,650,000	745
Total Medium Priority		$ 400,140,000	8,515

Low Priority

		Anticipated Funding	Anticipated Households/ Individuals
Low Priority Renters			
Strategy 22: Increase the supply of new rental units affordable to low priority renters.			
	Objective 22.1: Finance the development of 1,865 new rental units affordable to low-priority renter households.	$ 99,350,000	1,865
Strategy 23: Preserve existing rental housing affordable to low priority renters.			
	Objective 23.1: Finance rehabilitation of 635 units for low-priority renter households using approximately $31.3 million in state and federal tax credit equity, $375,000 in CDBG funds, and $200,000 in HOME funds.	$ 31,875,000	635
Homebuyers			
Strategy 24: Enable renter households to become homeowners.			
	Objective 24.1: Work with local governments and nonprofits to assist 600 rental households in purchasing their first home and achieving increased financial literacy with $7.75 million in HOME funds and $1 million in CDBG funds.	$ 8,750,000	600
	Objective 24.2: NCHFA will assist 370 new homeowners with Rural Opportunity Mortgage Program first mortgages, using $18.4 million in HOME funds. NCHFA will enable 1,210 households to buy homes through its New Homes Loan Pool and its Self Help Loan Pool, using $24.2 million in HOME.	$ 42,600,000	1,580
	Objective 24.3: Assist 910 households in purchasing their first home through downpayment assistance through American Dream Downpayment Initiative and HOME funds, and CDBG funds.	$ 6,310,000	910
Strategy 25: Finance infrastructure for the construction of new homes affordable to low-income homebuyers.			
	Objective 25.1: Provide related infrastructure for the construction 175 new homes from 2006-2010 using $3.15 million in CDBG funds.	$ 3,150,000	175

Figure S.2: Housing Strategies and Objectives (continued)

		Anticipated Funding	Anticipated Households/ Individuals
Low Priority Owners			
Strategy 26: Preserve the affordable owner-occupied housing stock owned by low priority owners.			
	Objective 26.1: Rehabilitate 170 homes for low priority homeowners, utilizing $2.1 million in HOME funds, $1.58 Million in DukeHELP funds, and $225,000 in CDBG funds.	$ 3,905,000	170
Strategy 27: Replace inadequate homes occupied by low priority owners.			
	Objective 27.1: Provide a replacement home for 5 low priority households utilizing approximately $450,000 in CDBG funds.	$ 450,000	5
Strategy 28: Provide infrastructure for low priority owners in need.			
	Objective 28.1: Provide approximately 40 low priority households living in areas with no public water or wastewater lines with new water and/or wastewater services, using approximately $1.6 million in CDBG funds. Allow for an additional 70 households to receive hook-ups to public water and/or wastewater lines using $200,000 in CDBG funds.	$ 1,800,000	110
Total Low Priority		$ 198,190,000	6,050
Total Activity (High, Medium, & Low Priority)		$ 1,063,803,000	288,030

Figure S.3: Housing Funding by Priority (excludes the Mortgage Revenue Bond and Mortgage Credit Certificate funding sources; these sources are nondiscretionary and must be used for the low-priority activity of homeownership.)

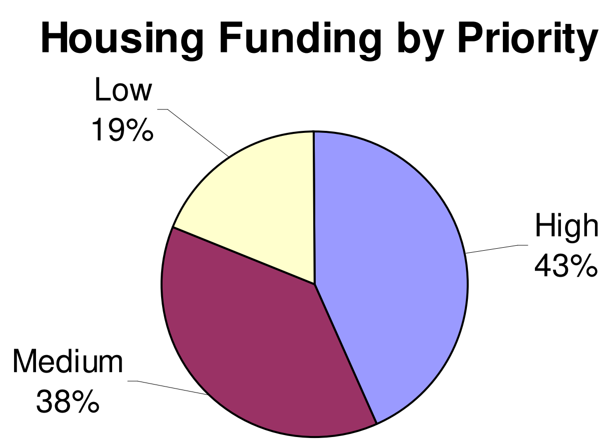


Figure S.4: Community Development Strategies and Objectives

Community Development Strategies	
Strategy 29: Improve public and environmental health by providing public water and wastewater services where applicable, and mitigating improper wastewater disposal in more remote areas	
	Objective 29.1: Install public water and wastewater lines where feasible in rural residential areas, and provide funds to hook residents to existing lines where available.
	Objective 29.2: Identify rural households disposing of wastewater through straight piping and provide an appropriate wastewater disposal method.
Strategy 30: Improve the economic prosperity of all North Carolinians through business recruitment and small business development.	
	Objective 30.1: Increase the number of quality jobs available to North Carolinians through business recruitment and targeted incentives.
	Objective 30.2: Convene a task force of small business and entrepreneurship experts to identify best practices in using CDBG funds to support small business and microenterprise growth in North Carolina.
Strategy 31: Focus programs on alleviation of poverty through sound development principles	
	Objective 31.1: Utilize smart growth principles in all CDBG projects.
	Objective 31.2: Support programs that encourage holistic improvements of neighborhoods through appropriate program guidelines and allowing multiple activities to address a variety of needs.
	Objective 31.3: Build community capacity by providing funds to the Capacity Building category, performing a complete review of the strengths and weaknesses of this program, and conducting the Community Development Academy.

HOMELESS PERSONS

More than 10,000 people, including persons in families, are homeless in North Carolina every night. Many people are homeless due to unemployment, underemployment, disability or chronic illness. The homeless population also includes ex-offenders as well as victims of domestic violence. Homeless individuals and families often face significant barriers accessing mainstream housing and supportive services, such as housing choice vouchers and health care. The State has prepared a Ten-Year Plan to End Homelessness, which sets ambitious goals to reduce the number of homeless persons in North Carolina. Homeless prevention, operating assistance, and supportive services are activities that are needed throughout all areas of North Carolina. In urban areas, the emphasis for state-funded activities is expected to be on emergency shelter rehabilitation and the development of transitional and permanent supportive housing. In rural, non-entitlement areas, the emphasis will be on the construction of new shelters and the development of transitional and permanent supportive housing. All of these activities are addressed in further detail below.

Activities to address the needs of homeless persons include:

- ❖ Homeless Prevention
- ❖ Operating Costs for Homeless Providers
- ❖ Supportive Services
- ❖ Emergency Shelter Construction and Rehabilitation
- ❖ Supportive Housing

Homeless Prevention

Objective: Provide up to $250,000 in ESG funds for financial assistance to approximately 1,250 individuals and 3,750 households over five years to pay late rent, mortgage payments, first month's rent, security deposits, utility deposits and/or arrearages so that they may secure permanent housing or prevent their eviction from permanent housing.

Objective: Provide up to $5 million in emergency financial assistance in the form of short-term rent, mortgage and utility payments to approximately 2,000 persons living with HIV/AIDS and their families over the next 5 years.

Population & Need

A weakened economy over the last five years and the resultant growth in unemployment and underemployment rates has increased the number of persons seeking financial assistance to pay late rent and mortgage payments and to prevent utility shut-offs and/or eviction from their residences. Requests for this assistance from households at any income level usually indicates that the household is at imminent risk of homelessness and can be a way of identifying households that can benefit from comprehensive homelessness prevention activities, including financial assistance. Persons seeking such assistance are not limited to those between zero and 30 percent of median family income (MFI), but are often those earning between 50 and 80 percent of MFI who face sudden income loss because of lay-offs due to business closings or downsizing and/or medical or legal emergencies. Additional persons often in need of homeless prevention assistance include ex-offenders recently released from prison, victims of domestic violence and sexual assault, discharged patients in mental and/or veteran hospitals and residents of transitional housing facilities who require security deposits, first month's rent and utility deposits in order to secure permanent housing.

A major goal of the North Carolina Ten Year Plan to End Homelessness is to "implement aggressive prevention strategies." The plan calls for improved discharge planning from publicly funded institutions such as prisons and mental and veteran hospitals as well as targeted assistance to households with housing cost to income ratios which put them at immediate risk of homelessness. In addition, the Plan calls for increasing employment rates among people who are homeless or at risk of homelessness and developing and implementing a "no wrong door" policy that ensures homeless people needing assistance will be properly linked to appropriate resources and services. Admittedly, many of the Plan's prevention strategies will take a period of time to initiate and in the Plan's first draft none identify or call for the establishment of a state source of funding. Creating a state source of funding from which homeless and/or people at risk of homelessness may receive assist to secure or retain permanent housing would have an immediate impact in preventing homelessness.

Many individuals and families with low-incomes are forced to make critical choices when their finances are not sufficient to meet basic living needs. The HIV Cost and Services Utilization Study (1996), the most comprehensive study to date, presents a statistical snapshot of the economic well being of people living with HIV/AIDS. At the time of the study, 63 percent were unemployed, 46 percent had a household income of less than $10,000, 20 percent had no health insurance, and 78 percent had no private health insurance.

Housing and healthcare are the primary needs for all people living with disabilities or chronic illness in North Carolina. However, many of these people, who earn low incomes, must make difficult decisions for themselves and their families. At times they may have to decide between paying medical bills - or paying rent, a utility bill, or move - in costs such as security deposits. The repercussions of such decisions may mean fewer meals, no healthcare, and loss of utilities, overcrowded housing, or eviction.

<u>How Activity Meets Need</u>

The provision of homeless prevention assistance in the form of security deposits, late rent and mortgage payments and first month's rent will allow homeless/formerly homeless families and individuals to secure a permanent residence and those persons who have experienced a sudden loss of income and are facing eviction to remain in their permanent place of residence. Payment of utility deposits or utility arrearages will allow individuals and families to remain in safe and habitable housing.

The HOPWA (Housing Opportunities for Persons with AIDS) funded activity of providing short-term rent, mortgage and utility payment assistance, prevents homelessness for persons living with HIV/AIDS (PLWHA) who are already housed and/or homeless by providing 21 weeks of emergency financial assistance. The short-term rent, mortgage and utility assistance is coupled with Project Sponsors providing resource identification and housing information. This allows consumers and their families the opportunity to be housed or remain housed.

<u>Obstacles to Meeting Need With This Activity</u>

Existing state and federal resources for homeless prevention activities in North Carolina are extremely limited. The primary funding resources are the federal Emergency Shelter Grants (ESG) Program and privately held funds controlled by state and/or local charities and churches.

Federal regulations allow ESG grantees to use no more than 30 percent of their total ESG allocation for homeless prevention activities.

Use of funds for homeless prevention by ESG grantee organizations has steadily declined over the last seven years. The amount of ESG funds used by Balance of State ESG grantees to fund homeless prevention activities totaled $161,169 in FY 1998-99. In FY 2005-06 only $46,489 will be used by ESG grantees for homeless prevention activities. In FY 2004, less than 9 percent of the State's ESG entitlement funds were used for homeless prevention and that was in only one of the State's five entitlement areas. The remaining four entitlement areas chose not to use their ESG funds for homeless prevention. The decline in use of ESG funds for homeless prevention by ESG grantees can be traced to the increasing need to use ESG funds for shelter operating costs and, to a lesser extent, client services.

Many ESG grantees rely on charities and churches in their service areas to fully meet their clients' need for homeless prevention funds or to supplement the grantee's own limited homeless prevention program. However, since the overall decline in our State's economy of recent years has resulted in a reciprocal drop in individual and business donations. Many churches and charities have also been forced to substantially reduce the amount of money they can provide for these purposes.

HOPWA Project Sponsors that provide emergency financial assistance are limited by a specific number of weeks for assistance, 21 weeks out of a 52-week period. Although, emergency financial allocations have increased for project sponsors from 2002-2004, there was a 5 percent decrease in funds for FY 2005-2006. Based on the 2004 NC HIV/AIDS Housing Plan, the need for more permanent/permanent supportive housing was evident from consumers. Therefore, the allocation for FY 2005-2006 is $1,140,000.00 to allow additional funding added to tenant-based rental assistance and operating expenses for a dedicated housing facility.

Summary of Existing Programs

Currently, the best available sources of funding to assist an individual or family needing financial assistance with late rent or mortgage payments, security deposits and first-month's rent and/or utility deposits and/or arrearages remain the ESG program, whether the State's balance-of-state program or the ESG programs of the State's five ESG entitlement areas, and funds controlled by churches and local charities. The City of Charlotte is unique among the state's cities in that it provides as much as $200,000 of city funds per year for rental assistance through a local nonprofit organization.

The state also offers the Home Protection Pilot Program, a program designed to help homeowners who lose their income through no fault of their own to retain their homes; although this is a homelessness prevention activity, it is addressed as Foreclosure Prevention Activity (page 53) under the section on High Priority Homeowners.

County departments of social services are required to use a portion of their Work First Block Grant allocations for emergency assistance for those families determined eligible for Work First assistance. But each local county department of social services determines the amount of its allocation that will be used for emergency assistance, the types of emergencies for which it will use the funds and the maximum amount of funding which can be received by each eligible family. These emergency assistance funds are not available to individuals since only persons with dependent children may qualify for Work First.

Currently, the state HOPWA program covers 92 of the 100 counties in NC with emergency financial assistance in the form of short-term rent, mortgage and utility payment. Eleven HOPWA Project Sponsors are funded across the state to provide this service.

The U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA) also provides funding dedicated to serving people living with HIV/AIDS through the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act program. Nearly $600,000 in Ryan White CARE Act Title II and Title IV funding was dedicated to housing assistance for the fiscal year 2003. Both the Ryan White Program and HOPWA can be used to fund housing and related support services, although the eligible activities differ between programs.

Expected Units and Funding

Assuming that ESG grantees continue their pattern of use of ESG funding, a total of only $50,000 of the state's annual ESG allocation will be used for homeless prevention activities by ESG grantees each of the next five years. ESG entitlement funding can change from year to year and, although it is expected that there will be some cities and/or counties in North Carolina receiving ESG entitlement funding, it is uncertain how much this would be and for what purposes it will be used.

It is impossible to determine the amount of funds that will be available through charities and churches for homeless prevention activities over the next five years. Much will be determined by the rate of charitable and church contributions by individuals and businesses over the next five years.

It is estimated that 250 individuals and 750 households per year will seek funds for late rent and mortgage payments, security and utility deposits and utility arrearages from the 15-20 State ESG program grantees that chose to use a portion of their ESG allocation for this purpose.

Operating Costs for Homeless Providers

Objective: Provide $10,000,000 over the next five years to assist over 110 organizations across the state with operating costs for homeless shelters. These funds will assist in providing shelter to over 14,000 homeless single adults and 30,000 members of homeless families each of the next five years.

Population & Need

In FY 2005-06 the State's balance-of-state Emergency Shelter Grants (ESG) Program will fund 144 facilities providing shelter to homeless people in North Carolina. These facilities are operated by 110 nonprofit organizations and three units of local government in 53 counties of the state. They include 24 hour, day-only and night-only emergency shelters, transitional shelters, domestic violence shelters, and interfaith hospitality networks. This is the largest number of facilities ever funded with the State's ESG allocation.

The needs of these facilities are many, but over the last five years their need for simple operating costs has escalated. Many have seen donations from their local communities and from such funding mainstays as United Way fall in the wake of 9/11. With local governments experiencing shortages in revenue, many facilities have seen their local government contributions decline. New funding methodologies and unfunded mandates adopted by state and/or federal funding have also caused many grantees to lose funds they have depended on for years. The actual year to year increases in such items as utilities, supplies, waste management, rent, food and equipment combined with an increased number of people seeking their services has caused many shelters to experience serious budget deficits. Finally, the cost of maintaining and repairing shelters often housed in buildings needing major rehabilitation has further burdened shelter budgets.

In FY 98-99, 80 percent (1,850,439) of the State's ESG allocation available to grantees was used by program grantees for operating costs. In FY 2005-06, program grantees will use 92 percent (2,178,660) of the State's ESG allocation available to them for operating costs. This increased use of ESG funding for operations costs has resulted in less ESG funding going for client services and homeless prevention activities.

How Activity Meets Need

Homeless facilities must have the financial resources to pay the normal, operating costs of sheltering and feeding their clients. This, after all, is their primary function – to assure that a person or family without a permanent residence receives simple shelter from the elements and the basic necessities of life. Client services are important, but mean little if the person does not have a safe, decent place to lay his/her head or receive a simple meal.

The HOPWA Program provides operating assistance for adult day care/day health programs and family care homes with the financial resources to pay the operating costs for the day-to-day program functions serving persons living with HIV/AIDS. The availability of funding these facilities provides clients who need this level of assistance with permanent supportive housing linked to a variety of support services. Clients receive nutritional meals, transportation to from the doctor, a safe living environment, job training skills and/or access to a case manager.

<u>Obstacles to Meeting Need With This Activity</u>

In addition to the federally funded ESG program, many shelters use local government funds, donations from churches, individuals and businesses, fund-raising events and foundation funding to pay their operating costs. At times, shelters have started businesses such as thrift stores to subsidize their operations. In the last five years, many shelters have begun charging their clients nominal boarding fees or program fees and using fees collected to support their increasing operating and service program costs.

There are no State monies specifically designated to assist homeless facilities with operating costs. This is in direct contrast. Some states that provide State funds to assist homeless shelters. If a shelter serves a particular sub-population of the homeless such as the mentally ill or disabled or those with substance abuse disorders, and establishes a contract with the Local Management Entity, it may be able to secure some funding through the Division of Mental Health, Developmental Disabilities and Substance Abuse Disorders of the Department of Health and Human Services. If a shelter serves survivors of domestic violence and sexual assault they may qualify for funding from a variety of programs administered by the Governor's Crime Commission, the Council for Women of the NC Department of Administration, or their local department of social services. Youth shelters can apply for funding through the Department of Juvenile Justice and Delinquency Prevention.

A state or local entitlement may allow use of its federally funded Community Development Block Grant (CDBG) funds to pay the cost of operating and maintaining a facility which houses a public service. However, no more than 15 percent of the CDBG funds received by a jurisdiction can go towards public services. In North Carolina, some local entitlements have been willing to provide CDBG funds to homeless shelters in their areas, but balance-of-state CDBG funds have not been used to fund operating costs of homeless shelters despite the work of homeless advocates to secure State CDBG funding for this purpose. With CDBG funds targeted for elimination or dramatic cuts by the federal government, it is doubtful CDBG will ever be a viable or available source of funding in the future for homeless shelters in North Carolina.

Adult day care/day health programs and family care homes that serve persons living with HIV/AIDS that need this level of care must be licensed. There is a need for facilities to receive and/or retain licensure for new and existing adult day care/day health programs and family care homes. Under state statutes, facilities must work with the Adult Home Specialist within the Division of Social Services and the Construction Section of the Division of Facility Services to obtain licensure.

In addition, there are not enough HOPWA funds to provide assistance to all interested facilities. There is no required state match. Based on the recent competitive HOPWA request for application process, there was $450,000 available to dedicated housing facilities; however, grants were received totaling over $960,000. Therefore, additional funding is needed to support dedicated housing facilities that can serve persons living with HIV/AIDS.

Summary of Existing Programs

Currently the State of North Carolina offers no programs that finance operating costs of emergency shelters. Homeless service providers depend heavily on the federally funded ESG program, local government contributions, donations from individuals, businesses and churches, fundraising events and organization-owned businesses to pay their operating costs.

Expected Units and Funding

Over the next five years, absent any changes in the manner in which ESG funding is distributed, it is expected that the bulk of the State's balance-of-state ESG funding will be used by grantees to pay the operating costs of their facilities. Over a period of five years, ESG funds used to pay shelter-operating costs could total as much as $10,000,000. This total equals approximately between 90 and 92 percent of the total allocation of ESG funds to the state program. Sadly, these funds are not expected to cover the total operating costs of State ESG grantees. They will still need to rely on private donations, fund raising events, church donations, and foundation funding, local government support and/or client rent and program fees to subsidize their operating costs.

It is estimated that an average of 30,000 single homeless individuals and 14,000 members of homeless families will be served by an average of 140 ESG funded facilities over each of the next five years.

Supportive Services

Objective: Use approximately $800,000 of the state's ESG allocation over the next five years to subsidize the delivery of one or more needed services to approximately 30,000 homeless people sheltered by ESG grantees. These services will assist in their transition from homelessness to stability.

Homeless individuals and families can have numerous problems and issues that reduce their ability to maintain housing. Indeed, it is rare that a homeless person or family does not need a variety of services to stabilize their lives. It is equally rare to find a homeless shelter that does not provide or at the very least refer its clients to service providers. In a majority of cases, homeless shelters require their clients to pursue service opportunities as a condition of their shelter residence and federal and/or state programs require grantees to provide the most essential of services to their clients in order to receive funding. This has become a common practice because organizations working with the homeless have recognized that a homeless person or family will require a variety of services to effectively address the cause of their homelessness and realistically prevent their homelessness from re-occurring.

In FY 1998-99, 13 percent ($295,942) of the State's ESG allocation available to grantees was used by program grantees for client services. In FY 2004-2005, program grantees are using 8 percent ($166,330) of the State's ESG allocation available to them to pay the cost of providing program services to their clients. The need to use ESG funding for operating costs coupled with their success in securing funding from other government programs for client services has caused this drop in the use of ESG funds for client services.

<u>How the Activity Meets the Need</u>

Sheltering the homeless in emergency shelters indefinitely is not the solution to homelessness. Success in moving people from homelessness to stability more often depends on the quality and availability of needed services that can address the root causes of why a person becomes homeless and the availability of affordable permanent housing in their areas. Unemployment, for example, may cause a person to run out of funds to pay their rent or mortgage and, consequently, cause the person to be evicted from his/her home. However, what caused the unemployment? Was it poor work habits, a company layoff, alcohol and/or substance abuse, a discovered criminal record, a serious and persistent illness or was it a combination of events, bad decisions and/or poor planning? Even when it may appear that the homelessness is caused by a single factor, such as unemployment, it is more often the case that this single factor is actually a manifestation of a number of previous events or conditions in the person's life.

The needs of a homeless person or family may be as basic as shelter, food, clothing or transportation or they may require more skilled services such as case management, employment training or re-training, GED attainment, professional counseling for addiction, mental illness and personal and/or family issues, basic to complex medical and/or dental treatment, parenting skills, budget counseling, nutritional counseling and day care. Permanent housing placement with the provision of supportive services linked to be undeniably more effective and longer lasting than providing a homeless person with shelter and other basic necessities of life only or placing them in permanent housing without supportive services. This is especially true with persons or families who have been homeless for long periods of time or that have a multitude of problems which are intertwined to such an extent that they seem overwhelming to the client. Supportive services tied to a dedicated housing facility or permanent independent housing (STRMU) provides a more consistent and fluid continuum of services for clients. Based on the 2004 HIV/AIDS Housing Plan, coordination of housing and support service delivery will ensure that persons receiving HOPWA funds will have access to a case manager and a housing care plan for the future.

Obstacles to Meeting Need with this Activity

In addition to the federally funded ESG program, many shelters use local government funds, church, individual, foundation and business donations, fund-raising and other federal and/or state government program funds to provide needed services to their clients. In ESG, however, a grantee may not spend more than 30 percent of its total allocation for Services costs and, as mentioned earlier, the amount of ESG funds used by ESG balance-of-state grantees has steadily declined over the last seven years due to their need to use ESG funds for operating costs.

Homeless shelter and service providers that serve a specific subpopulation of the homeless often pursue other state or federal programs designed especially for this subpopulation. The federally funded PATH Program, administered by the Substance Abuse and Mental Health Administration (SAMSHA), may be a source of client services for homeless shelter and service providers who have clients with serious mental illness including those with a co-occurring substance use disorder. In North Carolina, however, the PATH allocation totals less than one million dollars per year and the ten PATH providers are able to serve under 600 clients per year. The Veteran Administration's Homeless Providers Grant and Per Diem Program is a federal program that is accessed by some shelters serving a significant number of homeless veterans. HUD's Supportive Housing Program can offer funding not only for transitional housing, but for supportive services such as child care, employment assistance, outpatient health services, case management, referral to permanent housing and nutritional counseling. Shelters serving persons diagnosed with HIV/AIDS may receive HOPWA funding which can provide some supportive services for their clients. State-funded programs administered by the NC Council for Women or the Governor's Crime Commission may be accessed by domestic violence and sexual assault shelters. All of these federally and state funded programs provide services funding for the State's homeless shelter and service providers. However, funding from these programs is not guaranteed past the initial funding period. All are competitive programs and must, therefore, be applied for again by homeless service providers.

Homeless shelter and service providers who are able to meet credentialing standards as a Medicaid provider may receive payments under the Medicaid program for eligible clients. However, usually these funds go to providers delivering specialized services to a particular service population. Becoming a Medicaid provider is usually not practical or feasible for a homeless service provider assisting the general homeless population. Homeless service providers most commonly provide assistance to clients applying for benefits from government programs.

The State's Ten-Year Plan to End Homelessness acknowledges that service funding gaps do and will continue to occur for persons and families who are not Medicaid eligible, for services that are not Medicaid eligible, and to cover costs while individuals are in the application process. The Plan also notes that new resources in the private and public sector should be identified to meet these gaps.

Summary of Existing Programs

Homeless service providers in North Carolina fund services to their clients through a variety of sources including federal and state funded programs, local charities, private foundations, churches, individual and business donations, fundraising activities and client program fees. Many of the federal and state funded programs which fund client services are competitive and/or have special conditions limiting funding to a specific service, population or period of time. Funding from non-government sources is not assured either in amount or from year-to-year.

Expected Units and Funding

It is the goal of the Office of Economic Development to subsidize the provision by funded shelters of one or more needed services to approximately 30,000 homeless people. These services will assist homeless people and families in their transition from homelessness to stability. It is estimated that approximately $800,000 of the State's ESG allocation over the next five years will be used for this purpose.

Emergency Shelter Construction and Rehabilitation

Objective: Create 200 beds of emergency shelter using approximately $1 million from the North Carolina Housing Finance Agency Supportive Housing Development Program between 2006 and 2010.

Population & Need

There are currently at least 182 emergency shelters in the State of North Carolina, including shelters for survivors of domestic violence. These shelters provide approximately 5,000 beds of temporary housing for homeless individuals and homeless families. The January 2005 statewide point-in-time count totaled 11,165 homeless people, including 7,642 individuals and 3,523 people in families. Emergency shelters range from four beds to as many as 232 beds. In 19 North Carolina counties, however, there are no emergency shelters.

Of the 182 emergency shelters in the State, it is estimated that one or more shelters in urban areas need substantial renovation. For example, many shelters are located in buildings that are leased or formerly owned by cities/counties (e.g., Fifth Street Ministries in Statesville, Helen Wright Center in Raleigh, Hope Station in Wilson). Unfortunately, many of these structures had deficiencies before they were transferred to homeless providers. Over the years, these deficiencies have become more pronounced leaving many homeless people living in shelters that are unsafe and with inadequate plumbing and sanitary facilities. Further, many of these buildings are not handicapped accessible. When nonprofit organizations took over these facilities to provide emergency shelter, they usually did not have sufficient replacement reserves to carry out significant building renovations.

How Activity Meets Need

The construction of new emergency shelters in underserved, rural communities (non-entitlement communities) will allow families and individuals to have safe temporary housing without needing to leave their community. The provision of emergency shelter facilities throughout the State will relieve pressure off existing emergency shelters in the metropolitan areas of the State. In rural areas, many homeless families are living in precarious doubled up situations due to the lack of a shelter.

The rehabilitation of substandard emergency shelters is a high priority given the fact that some homeless individuals and residents are living in substandard shelters. Some shelters contain lead, asbestos, as well as mold, all of which are serious health hazards. Many emergency shelters are not in compliance with current building codes and have high operating costs due to the lack of energy efficiency. By providing resources to renovate existing shelters, the State will be creating safe and decent shelters for the homeless. Energy efficiency improvements will reduce monthly operating costs for the shelter owner.

Obstacles to Meeting Need With This Activity

There is a desperate need for construction of new and renovation or repair for existing emergency shelters. However, a dire lack of funds exists to address these needs. Existing state and federal resources for the construction of emergency shelters is extremely limited in North Carolina. The primary funding sources are:

- Community Development Block Grant (Entitlement and Small Cities programs)
- NCHFA Supportive Housing Development Program
- Emergency Shelter Grant Program

Under CDBG regulations, communities may construct or rehabilitate public facilities, which include emergency shelters. A local government or a nonprofit entity must own the shelter. There are 25 CDBG entitlement areas[7] in North Carolina, including Raleigh, Durham, Charlotte, and Asheville. Many entitlement communities have leveraged their CDBG and/or ESG funds with state resources to construct new emergency shelters. The City of Wilmington, for example, provided $300,000 in CDBG funds to build the new Good Shepherd Ministries emergency shelter (St. James Annex). The North Carolina Housing Finance Agency provided an additional $400,000 for the construction of this emergency shelter. CDBG funds are also distributed to the State of North Carolina to address rural community

[7] A CDBG entitlement area is a municipality or county that receives CDBG funds directly from the United States Department of Housing and Urban Development, and does not participate in the statewide Small Cities program.

development needs with housing needs. They are administered by the Division of Community Assistance with the North Carolina State Department of Commerce (Small Cities CDBG program). However, the Small Cities program does not set-aside funding for emergency shelter construction or rehabilitation. Furthermore, a local government must be the conduit for CDBG funds to be spent at the local level, and there has not been a demand from local governments for construction or rehabilitation of a homeless shelter using CDBG funds in the past.

The HUD Emergency Shelter Grant Program allows for the use of funds for construction and renovation, but in North Carolina ESG funds are not used for this purpose. This decision was made due to the high cost of renovation and construction, the low level of ESG funding available annually and the need of funded homeless facilities to use the ESG funding for operating costs, provision of essential services and homeless prevention activities. Two or more construction or renovation projects could easily deplete North Carolina's annual ESG allocation.

The NCHFA Supportive Housing Development Program is another significant resource. SHDP is funded primarily by the State Housing Trust Fund (general appropriations only) but even this resource creates challenges since it is provided as a loan and not a grant. Many homeless providers simply do not have enough operating income to cover debt service, let alone their month-to-month expenses of running a shelter.

Efforts to open new shelters often encounter resistance from the local populace, termed NIMBY (Not In My Back Yard). The North Carolina Housing Coalition is currently investigating the preponderance of NIMBY fights across the state to determine ways to best approach these political standoffs and still ensure that safe, decent, and sanitary housing for our state's poorest residents is achieved.

Summary of Existing Programs

The Supportive Housing Development Program at the North Carolina Housing Finance Agency has provided funding for the construction and rehabilitation of emergency shelters since 1994. Recent shelter construction projects have included the Urban Ministries of Durham Community Shelter (shelter renovation and expansion) as well as the Good Shepherd Ministries St. James Annex in Wilmington. In the past, NCHFA has used energy efficiency funds to carry out shelter rehabilitation efforts. NCHFA has not provided any funding for emergency shelter rehabilitation for several years. However, it is in the process of revising the guidelines for this program.

Construction and rehabilitation of public facilities (including homeless shelters) is permitted under CDBG regulations, and is an eligible activity in DCA's Concentrated Needs or Revitalization Strategies categories. However, the state's Small Cities CDBG program has not allocated funds for construction or rehabilitation of a homeless shelter, and such a request has never been made. By 2007, DCA will explore the options of increasing promotion of the possibility of construction or rehabilitation of homeless shelters in its Concentrated Needs and Revitalization Strategies categories, and also amending its Housing Development category guidelines to allow for construction or rehabilitation of homeless shelters.

Expected Units and Funding

From 2006-2010, the North Carolina Housing Finance Agency will invest approximately $1 million under its Supportive Housing Development Program (Housing Trust Fund) for provision of 200 additional emergency shelter beds, either through construction or rehabilitation, in urban and rural areas.

Supportive Housing

Objective: Develop 400 units of supportive housing for homeless persons with disabilities utilizing $4 million in HOME and $4 million from the Housing Trust Fund through the NCHFA Supportive Housing Development Program.

Population & Need

North Carolina's Ten-Year Plan to End Homelessness calls for the development of 1,250 units of permanent supportive housing for homeless persons with disabilities, with approximately 50 percent of these units created solely through rental assistance. According to figures contained in the 2005 Continuum of Care Plans around the State, there is a need for more than 4,000 units of permanent supportive housing. Although the Continuums of Care do not cover all 100 counties in the State, these estimates are the best available figures and are based, in part, on annual point in time counts of the homeless population.

The need for permanent supportive housing can include several different models including rental assistance that is linked to supportive services, such as HUD's Shelter Plus Care Program, as well as independent apartments that are targeted for homeless individuals or families with disabilities. While there are many homeless individuals and families that do not require permanent housing with supportive services, it is estimated that between 10 to 15 percent of the homeless populations are chronically homeless due to disabilities such as mental illness, substance abuse, and developmental disabilities. Many of these individuals may need access to ongoing supportive services.

There are almost 4,000 beds of transitional housing serving the homeless in North Carolina, including more than 2,000 beds for homeless individuals and more than 1,800 beds for homeless families.

How Activity Meets Need

The provision of permanent housing with supportive services provides safe, affordable housing for homeless populations that need community supports. Supportive services help the client maintain their housing. The provision of stable affordable housing will allow many homeless individuals and families with disabilities to live independently. Providing financing for the construction of housing so that homeless persons can leave the streets and shelters and move into a more permanent living arrangement is an essential tool in the plan to end chronic homelessness.

Transitional supportive housing is important because it allows homeless individuals and families to gain resources that will allow them to enter the permanent housing market (with or without supportive services).

Obstacles to Meeting Need With This Activity

The development of supportive housing for homeless populations is hindered by several components, including: 1) high development costs; 2) lack of multifamily zoning districts and NIMBYism, 3) complexity of mixing several funding resources; 4) limited number of grants; 5) lack of nonprofit capacity; and 6) significant predevelopment expenses for new construction or acquisition and rehab. Unfortunately, many North Carolina communities have not applied for available Continuum of Care funds, which has also prevented the development of supportive housing for the homeless.

Supportive housing can be funded by a variety of funding sources, including HOME funds, CDBG funds, NCHFA Supportive Housing Development Program funds, Continuum of Care SHP funds, Veterans Affairs Capital Grants, as well as HOPWA funds. Many of these resources are extremely competitive. Further, many HOME participating jurisdictions use a large majority of their HOME funding for first time homeownership programs and not rental housing and/or supportive housing.

Transitional housing is often provided within congregate settings where residents share bedrooms. Often, the housing is serving homeless individuals with disabilities. Despite possible violations of the Fair Housing Act, many communities across North Carolina are limiting the development of group homes by using one or more of the following methods: 1) restrictive single family definitions which limit the number of unrelated persons that can live in single family homes; 2) group home spacing requirements; 3) public hearing requirements; and 4) imposition of institutional/commercial building code regulations. Although state law prevents local jurisdictions from excluding family care homes, state law does permit local communities to use ½ mile spacing (NCGS 168-2). The half-mile spacing requirement has been identified as an impediment to fair housing in the State of North Carolina 2001 Analysis of Impediments of Fair Housing Choice. The continued use of group home spacing requirements will make it difficult for the State to comply with the U.S. Supreme Court decision in *Olmstead vs. L.C.* In addition to local restrictions, there are repeated instances of NIMBYism (Not in My Backyard).

Summary of Existing Programs

The principal state programs that provide funding for supportive housing for the homeless include NCHFA's Supportive Housing Development Program (SHDP) and LIHTC targeted units. The SHDP at the North Carolina Housing Finance Agency has provided funding for the development of supportive housing since 1994. SHDP has funded transitional as well as permanent housing development for homeless subpopulations including domestic violence survivors and persons with mental illness.

The State of North Carolina's Qualified Allocation Plan requires LIHTC owners to target 10 percent of the units in their developments to persons with disabilities or homeless populations. To support this commitment, developers partner with local lead agencies who agree to be the conduit for tenant referrals and to provide, coordinate or act as a referral source for the array of community services, both Medicaid and non-Medicaid funded services, available to assist persons with disabilities to live successfully in the community. Furthermore, developers make 5% of the total number of units in their development fully accessible (in addition to the number of units required by existing law and building codes). These units include a higher than minimum standard of accessible design features, including curb less showers and 5' by 5' clear floor space around toilets in each class (bedroom size) of units.

The Division of Community Assistance allocates Community Development Block Grant (CDBG) for new construction by funding the required infrastructure for new development. There are a number of different program requirements based upon the type of housing to be constructed. Though DCA does not offer a category specifically targeted towards supportive housing, projects in the Housing Development category in the past have been utilized for supportive housing projects. Housing Development projects can be utilized for multi-family projects aimed at residents who, for one reason or another, will continue to rent. DCA will provide for installation of public infrastructure (water and sewer lines are automatically eligible for funding; streets, sidewalks and drainage may be funded on a case by case basis), the removal of hazardous material, acquisition of vacant land (by an eligible nonprofit) or vacant ***historic*** buildings (by an eligible nonprofit or for-profit developer), and certain rehabilitation activities (on a case-by-case basis).

In addition, DCA works collaboratively with the North Carolina Housing Finance Agency's (NCHFA) Tax Credit/Rental Production Program (RPP) for multi-unit rental housing by providing infrastructure related funds to some of these development projects.

<u>Expected Units and Funding</u>

The primary State program to provide supportive housing for homeless persons with disabilities is the NCHFA Supportive Housing Development Program (SHDP). From 2006-2010, it is expected that the NCHFA SHDP will fund approximately 400 units of supportive housing for a total of $8 million (comprised of $4 million from the Housing Trust Fund and $4 million HOME). Many of these units will be developed using a combination of HUD Continuum of Care funding as well as NCHFA SHDP. NCHFA has begun to use HOME funds as a cash match for HUD Continuum of Care development projects.

DCA aims to provide at least $2 million for new housing construction through its Housing Development program. These funds may be used for the construction of supportive housing, though that decision is left up to the local government and/or local nonprofits and developers. There is no set-aside in the Housing Development program for supportive housing, so estimating the number of these housing units that will be constructed as supportive housing units is dubious at best. DCA's goal for creation of new rental housing units is detailed in the high, medium, and low priority renter sections of the strategic plan.

PERSONS WITH SPECIAL NEEDS

Non-homeless populations with special needs continue to be a high priority for the State of North Carolina because they are often extremely low-income and require community services and/or modifications to their homes in order to live as independently as possible. Populations addressed under this priority include persons with mental illness, HIV/AIDS, developmental disabilities, physical disabilities, and substance abuse disorders. In addition, this priority addresses the needs of the elderly and frail elderly. While disabilities do not necessarily prevent an individual from securing employment, severe disabilities can prevent or restrict employment opportunities. As a result, many non-homeless persons with disabilities are dependent on Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI). As of June 2005, SSI provides $564 a month for an individual and $869 for a couple. In December 2004, there were 195,819 SSI recipients in North Carolina, including 26,560 elderly and 169,259 disabled persons. Many non-elderly persons with disabilities are living in adult care homes due to the lack of accessible and affordable supportive housing in their community. Elderly and frail elderly households, on the other hand, may have to leave their home due to the inability to pay for home modifications as well as inability to access in-home care services. As the State of North Carolina continues to implement mental health system reform, which includes the downsizing and closing of state institutions for persons with disabilities, the need for community-based supportive housing will increase.

Unfortunately, due to limitations in the collecting of data, many households that by definition are special needs are not counted as special needs by the partners in their evaluations of their programs. This is particularly true when elderly households receive benefit. For example, anecdotal evidence suggests that the majority of households assisted by the Scattered Site Housing program of the Division of Community Assistance are elderly homeowners. However, since there are no provisions in place at this time to collect data pertaining to a householder's age, quantifying the percentage of households to be assisted that are special needs is difficult. DCA is looking to revise its data collection methods so that an accounting of special needs households assisted, primarily with housing rehabilitation, can be performed.

Activities to address the needs of non-homeless persons with special needs include:

- Rent Assistance
- Supportive Housing
- Operating Assistance
- Supportive Services

Rent Assistance

Objective: Provide rent assistance to 150 households using approximately $1 million in HOPWA funds between 2006 and 2010, and provide 10 years of rent assistance to 680 households in Tax Credit developments with $6.25 million in HOME Match.

Population and Need

While supportive housing development (new construction or acquisition and rehabilitation) is one option to meet the needs of non-homeless populations with special needs, another activity that is equally important is rental assistance. If consumers are provided rental assistance with supportive services, they are empowered to find a home anywhere in their community without losing supportive services.

Summary of Existing Programs

Currently, the state HOPWA Program has six HOPWA Project Sponsors that provide a total of 110 tenant-based rental assistance vouchers. These sponsors are within the 92 counties served by the state program.

There are a number of Shelter Plus Care vouchers dedicated to persons living with HIV/AIDS (PLWHA) throughout the state. Also, Durham County has permanent facility based programs with a total of 15 units dedicated to PLWHA and their families.

The NCHFA provides 10-years of rent assistance to households referred by the Department of Health and Human Services who live in developments funded with tax credits. A valuable feature of this program is the 10-year period which each household may receive the assistance; this provides stability and long-term affordability to households who could otherwise not afford rent.

How Activity Meets Need

Rental assistance is critical for low-income non-homeless persons with disabilities or the elderly. Without it their incomes are often simply too low to cover housing costs.

Obstacles to Meeting Need with this Activity

Although non-homeless persons with special needs may apply for Section 8 Rental Assistance Vouchers from their local housing authorities, the supply of Vouchers is far too small to assist every eligible household. Long waiting lists and the absence of preferences for this population at many housing authorities hinders access to Section 8 vouchers. In addition, many persons with disabilities may not meet screening criteria because of poor credit, lack of rental history or because of a criminal record.

Expected Units (Number of Households) and Funding

Between 2006 and 2010, it is expected that the HOPWA program will provide tenant-based rental assistance to 150 households in North Carolina using $1 million in HOPWA funds.

NCHFA expects to provide $6.25 million in HOME Match funding for rent assistance to 680 formerly-homeless or disabled households in tax credit developments. This funding will be allocated to the program between 2006 and 2010, and each household will receive rent assistance for ten years.

Supportive Housing

Objective: Develop 400 units of supportive housing for non-homeless persons with disabilities using $4 million in HOME and $4 million from the Housing Trust Fund between 2006 and 2010.

Population and Need

Affordable supportive housing is a high priority need for non-homeless persons with disabilities or the elderly at or below 30 percent of median income in urban areas and between zero and 50 percent in rural areas. It is a high priority need because this population experiences the most severe housing cost burden and has the most difficulty finding and maintaining affordable and accessible housing without community supports. The need for supportive housing is driven by several factors:

1) lack of affordable community-based housing for persons with disabilities who rely on SSI or SSDI for income;
2) increase in number of people with severe and persistent mental illness who need community based housing due to the downsizing of the state institutions (mental health reform) and the Olmstead decision;
3) large number of ex-offenders, many of whom have substance abuse problems and/or HIV/AIDS;
4) large number of persons with HIV/AIDS who live below poverty and whose health is compromised by the lack of stable, affordable housing;
5) increasing emphasis on independence and empowerment for consumers with disabilities;
6) increasing need for housing that serves persons with dual diagnosis, such as HIV/AIDS and substance abuse;
7) more than 10,000 developmentally disabled adults who are now living with aging parents and caregivers who are no longer able to provide adequate care;
8) more than 4,000 non-elderly adults, many of whom have severe mobility impairments, who now live in adult care homes, but could live more independently; and
9) increasing number of elderly and frail elderly who have mobility impairments and who need home modifications as well as in-home services.

How Activity Meets Need

The development of affordable and accessible supportive housing, both transitional and permanent, enables non-homeless populations to achieve independence and to pay for housing and other daily activities of life. Supportive housing can include a range of models and serve a variety of populations. Supportive housing can be developed as stand alone units or as units within a larger development, or as single family homes, duplexes, or multifamily structures.

Obstacles to Meeting Need with this Activity

Supportive housing development, whether new construction or acquisition and rehabilitation, is typically a complex undertaking that faces several challenges such as:

1) need for multiple funding sources, with different rules and match requirements;
2) predevelopment costs that may not be covered by funding sources;
3) lack of housing development experience on the part of nonprofit organizations;
4) the absence of nonprofit organizations in some areas of the state, such as Eastern North Carolina;
5) discriminatory treatment of supportive housing (including transitional housing) by local jurisdictions, as well as Nimby-ism;
6) lack of legal resources on the part of nonprofit organizations to challenge discriminatory practices;
7) high development costs, including impact fees;
8) lack of state enabling legislation for inclusionary zoning;
9) state law which enables local governments to impose spacing requirements for group homes;
10) outdated zoning definitions that treat supportive housing as an institutional use, thereby triggering inappropriate building code requirements; and
11) lack of zoning definitions for specific types of supportive housing, such as single room occupancy developments.

In addition, supportive housing tenants must have access to an array of supportive services that are often provided by different agencies with different eligibility requirements.

<u>Summary of Existing Programs</u>

The State of North Carolina is able to provide partial funding to develop supportive housing (transitional and permanent supportive housing) through the NCHFA Supportive Housing Development Program. Many times, this program is used in conjunction with other federal and state resources, such as the HUD 811 program and the North Carolina Division of Mental Health Community Capacity Funds. The NCHFA Supportive Housing Development Program has relied on the North Carolina Housing Trust Fund as its funding source, but is increasingly using HOME funds.

The State of North Carolina's Qualified Allocation Plan requires LIHTC owners to target 10 percent of the units in their developments to persons with disabilities or homeless populations. To support this commitment, developers partner with local lead agencies who agree to be the conduit for tenant referrals and to provide, coordinate or act as a referral source for the array of community services (both Medicaid and non-Medicaid funded) available to assist persons with disabilities to live successfully in the community. Furthermore, developers make an additional 5 percent of the units in their development fully accessible, on top of the number of units required by exiting law and building codes. Accessible units include a higher than minimum standard of accessible design features, including curb less showers and 5' by 5' clear floor space around toilets.

The Division of Community Assistance allocates Community Development Block Grant (CDBG) funds for new construction by funding the required infrastructure for new development. There are a number of different program requirements based upon the type of housing to be constructed. Though DCA does not offer a category specifically targeted towards supportive housing, past projects in the Housing Development category have been for supportive housing. Housing Development funds can be utilized for multi-family projects aimed at residents who, for one reason or another, will continue to rent. DCA will provide for installation of public infrastructure (water and sewer lines are automatically eligible for funding; streets, sidewalks and drainage may be funded on a case by case basis), the removal of hazardous material, acquisition of vacant land (by an eligible nonprofit) or vacant ***historic*** buildings (by an eligible nonprofit or for-profit developer), and certain rehabilitation activities on a case-by-case basis.

In addition, DCA works collaboratively with the North Carolina Housing Finance Agency's (NCHFA) Tax Credit/Rental Production Program (RPP) for multi-unit rental housing by providing infrastructure related funds to some of these development projects.

NCHFA provides funds for home modifications for the frail and elderly. For more information on these services, please see the section on high priority homeowners.

Expected Units and Funding

It is estimated that North Carolina will be able to develop a total of 400 units of supportive housing for non-homeless persons with special needs using approximately $4 million in HOME and $4 million from the Housing Trust Fund under the NCHFA Supportive Housing Development Program during 2006-2010. Assuming a per-unit cost of $60,000, it is expected that the total development cost will be $24 million with NCHFA SHDP providing one-third of the funding.

DCA aims to provide at least $2 million each year for new housing construction through its Housing Development program. These funds may be used for the construction of supportive housing, though that decision is left up to the local government and/or local nonprofits and developers. There is no set-aside in the Housing Development program for supportive housing, so estimating the number of these housing units that will be constructed as supportive housing units is dubious at best. DCA's goal for creation of new rental housing units is detailed in the high, medium, and low priority renter sections of the strategic plan.

Operating Assistance

Objective: From 2006-2010, an estimated $2 million of HOPWA funds will be used for operating expenses for dedicated housing facilities.

Population and Need

As nonprofit organizations develop more community-based supportive housing for persons with disabilities or the low-income elderly with special needs, the lack of operating assistance has become a larger problem. Whether the housing is transitional or permanent, the central issue is how the provider can pay for monthly operating costs while charging rents affordable to tenants with incomes below 30 percent of median income. Many residents rely on Supplemental Security Income, which currently pays an individual $579 per month. At this rate an affordable rent for SSI recipients is $173 and yet the typical cost to operate housing runs about $300 per door per month. Some of the challenges are as follows:

1) the State of North Carolina does not supplement SSI payments except for residents of licensed facilities;
2) SSI payments are not sufficient to pay the HUD defined fair market rent for a one bedroom apartment anywhere in the State;
3) credit and criminal issues make it difficult for SSI recipients to obtain public housing or Section 8 vouchers from the local housing authority;
4) persons diagnosed solely with substance abuse disorders are not eligible for SSI; and
5) operating assistance is currently only available through programs such as HUD 811 and HUD 202, all of which fund only a small number of units each year.

<u>How Activity Meets Need</u>

HOPWA funded operating assistance provides adult day care/day health programs and family care homes with the financial resources to pay the operating costs for the day-to-day program functions serving persons living with HIV/AIDS. The availability of funding for these facilities provides clients with permanent housing and access to enhanced services.

<u>Obstacles to Meeting Need with this Activity</u>

The State of North Carolina provides operating assistance, State and County Special Assistance, to residential facilities that serve persons with disabilities and the elderly, but only in licensed facilities.

Many individuals could live more independently if they had the ability to pay the difference between their extremely low income and the cost of decent housing.

The State HOPWA program funds two Family Care Homes that provide 24-hour care for person in the acute stages of HIV/AIDS who cannot live independently, but there are not enough HOPWA funds to provide assistance to all interested facilities. There is no required state match. Based on the recent competitive HOPWA request for application process, there was $450,000 available to dedicated housing facilities; however, grants were received totaling over $960,000. Therefore, additional funding is needed to support dedicated housing facilities that can serve persons living with HIV/AIDS.

<u>Summary of Existing Programs</u>

The state HOPWA program funds two Adult Day Care Facilities and two Family Care Homes. The operating expenses utilized by these HOPWA Project Sponsors include, but are not limited to, maintenance costs, security, lawn care, operations, insurance, utilities and furnishings. In addition, the sponsors provide assistance with activities of daily living.

There are at least 30 Adult/Family Care Homes that provide 24-hour care fore person in the acute stages of HIV/AIDS who cannot live independently.

Expected Units and Funding

From 2006-2010, it is estimated that $2 million of HOPWA funds will be used for operating expenses in a dedicated housing facility.

Supportive Services

Objective: Allocate approximately $300,000 in HOPWA funds to (1) link supportive services with operating expenses in a dedicated housing facility and (2) provide short-term rent, mortgage and utility payments for approximately 650 non-homeless persons living with HIV/AIDS.

Population and Need

Non-homeless populations with disabilities require a variety of supportive services to help them obtain community resources and maintain their housing. Over time, many of these supportive service need change in intensity and type, but the challenge is to determine who will provide and pay for these services. Supportive services may include case management, mental health counseling, adult day care, alcohol and drug abuse treatment/counseling, personal assistance, interior and exterior home modifications, therapeutic recreation, and transportation.

How Activity Meets Need

Supportive services for non-homeless populations with disabilities or the low income elderly increase the ability of the individual or family to maintain independence and to remain in their communities. Based on the 2004 HIV/AIDS Housing Plan, coordination of housing and support service delivery will ensure that persons receiving HOPWA funds will have access to a case manager and a housing care plan for the future.

Obstacles to Meeting Need with this Activity

The current financial resources available are not sufficient to meet the need for supportive services for persons with HIV/AIDS. A major obstacle in creating or locating permanent supportive housing for persons with HIV/AIDS is the difficulty in providing the supportive services. For FY 2004-2005, approximately $60,000 was allocated by HOPWA Project Sponsors to provide supportive services. Many PLWHA (persons living with HIV or AIDS) lack the ability to budget, perform the acts of daily living and earn an income; hence, they need support in order to build the skills necessary for self-sufficiency.

Summary of Existing Programs

A summary of the range of supportive services available to persons with disabilities and the elderly is beyond the scope of this document. Supportive services are provided by a range of providers funded by many different sources. Medicaid is the primary source of funding for a variety of critical services. North Carolina, like most states, is struggling with ways to contain costs at a time when the numbers of people who would benefit from access to these services is increasing.

Currently, eight HOPWA Project Sponsors provide supportive services to persons living with HIV/AIDS. HOPWA supportive service funds are used for some of the following: transporting for clients to and from medical appointments; providing clients with access to a case manager and housing care plan; providing a nutritionally balanced meal to every participant on a daily basis; providing clients with personal assistance with their activities of daily living; and providing assistance in locating suitable housing.

Supportive services are provided by local health departments, home health agencies, nonprofit organizations and AIDS service organizations. In addition, Medicaid and Ryan White funds are available for persons with HIV/AIDS.

Expected Units and Funding

It is expected that, over the next five years, approximately 650 non-homeless persons living with HIV/AIDS will be assisted by supportive services with operating expenses in a dedicated housing facility or with short-term rent, mortgage and utility payments. This will utilize an estimated $300,000 in HOPWA funds.

HIGH PRIORITY RENTERS

High priority renters are those renters considered to be most at risk of suffering from a housing problem (cost burdening, poor condition, or overcrowding). The Consolidated Plan partners have defined these high priority renters as those living in urban areas earning between zero and 30 percent of the area's median family income and those living in rural areas earning between zero and 50 percent of the area's median family income. Due to very low income, these renters are unlikely to be able to afford well-constructed and well-maintained units and are more likely to live in overcrowded or substandard conditions than those at higher income levels.

Activities to address the needs of high priority renters include:

- ❖ Rent Assistance
- ❖ Financing of New Construction
- ❖ Financing of Rental Rehabilitation

Rent Assistance

Objective: The state has no goal regarding using HOME, CDBG, or ESG funds for rent assistance. (NCHFA plans to use HOME Match for rent assistance to homeless and disabled households. See page 32. It reserves the ability to redirect HOME funds to that use in the event of a disaster or other cause. The rent assistance goals for HOPWA funds are discussed on page 37-38.)

Population & Need

In 2003, 41 percent of North Carolina's renter households (over 393,000 households) were unable to afford a two-bedroom apartment at the HUD defined Fair Market Rent.

How Activity Meets Need

Rent assistance bridges the gap between what a household can afford and what the market requires for rent. Most rent assistance programs expect tenants to pay 30 percent of the household's adjusted income toward rent – the difference between that and the contract rent on a privately owned apartment with a reasonable rent rate (no higher than Fair Market Rent) is paid by the rent assistance program. This enables renting households to live in units that meet a certain quality threshold, without spending more for rent than they can afford. It allows people who would otherwise be homeless or living in substandard housing to occupy decent rental units.

Obstacles to Meeting Need With This Activity

Rent assistance is an eligible use of HOME funds, but the regulations governing HOME tenant-based assistance make it extremely challenging to administer on a statewide basis. HOME imposes a two-year time limit on rent assistance, which does not allow the High Priority needs households to secure long-term housing affordability.

If other resources were available, or if HOME was a practical alternative for long-term rent assistance, the partner agencies could replicate the proven success of the Section 8 voucher program, albeit on a much smaller scale.

Summary of Existing Programs

NCHFA has used HOME for tenant-based rental assistance for disaster response, such as assisting families whose houses were destroyed by Hurricane Floyd. In that context the two-year limit is not a significant concern. Also, in those instances NCHFA received a waiver from HUD on regulations that were impossible to follow given the urgency of the situation.

Expected Units and Funding

The partner agencies do not expect to provide any HOME funding for this activity unless federal funding source limitations are removed, or another major natural disaster occurs. The NCHFA anticipates that it will continue to manage the rent assistance units it is contracted with HUD to manage.

The NCHFA does anticipate using HOME Match to fund rent assistance for homeless and disabled households; this is discussed pages 32-33.

As indicated in the section about populations with special needs, between 2006 and 2010, it is expected that the HOPWA program will provide tenant-based rental assistance to 150 households in North Carolina using $1 million in HOPWA funds.

Financing of New Construction

Objective: Finance the development of 4,540 rental units affordable to high-priority renters between 2006 and 2010.

Population & Need

There are nearly 250,000 extremely low-income and VLI households in North Carolina that pay more than 30 percent of their income for housing or live in substandard units. They are unable to find affordable rental units that are of decent quality because there are not enough such units in the state to accommodate the population.

Many urban dwellers depend on rental housing due to high land costs. In urban areas, cost is the most prohibitive factor-keeping people out of safe, decent, and sanitary housing. For the units that were vacant-for-rent in 2000, in the metropolitan counties, the rents asked were higher than in the micropolitan and rural counties. These rents were often well above the affordability levels for those of extremely low income.

Rural areas are in desperate need of descent quality rental housing stock. While urban areas may have a healthy supply of rental housing (although affordable), multifamily houses are scarce in much of the state's rural areas. Renters in rural areas are often required to rent older homes in poor condition due to a lack of new rental housing.

Both quantitative and qualitative data describe a situation where the rental housing stock across the state is poor, especially for those residents in the lowest income brackets. North Carolina is estimated to have 71,368 rental-housing units with a moderate condition problem and 33,256 with a severe condition problem. Consultations with local housing providers in urban areas confirm that even where housing does exist for extremely low-income residents, the quality is generally very poor.

How Activity Meets Need

One of the major obstacles to provision of proper housing for extremely low-income individuals and families is that safe, decent, and sanitary housing cannot be made available to such persons without significant financial subsidy. The primary benefit of the development of new affordable rental units is that more units are available in the market. These units provide alternatives to the substandard units currently available for the lowest-income households. They also provide competition for the rental units already available, which brings down the price for the existing units.

Obstacles to Meeting Need With This Activity

Land and development costs are almost always higher in urban areas than they are in rural places. These inflated costs make provision of housing for extremely low income residents relatively expensive. Development has been getting noticeably more expensive since 1992. In 2004 dollars, the value per unit (measured at the point of permitting) of multi-family housing in North Carolina averaged $62,900. This is 80.5 percent of the average costs of all the states in the South ($78,100). Cost burden will continue to be the greatest obstacle to provision of housing as these high costs are passed down to the consumer. According to the National Low Income Housing Coalition's 2003 Out of Reach Report, 41 percent of North Carolina's renter households (over 393,000 households) were unable to afford a two-bedroom apartment at the Fair Market Rent (FMR) in 2003.

In our non-metropolitan areas there is a real need to produce new high quality units. Many of the towns have not seen any significant new construction in many decades. Most of the rental housing is old and substandard, or in many cases exclusively mobile homes. The FMR rents are based on phone assessments of these units and therefore do not reflect new properties. The rents generated from the studies are not adequate to support the construction of new units. Not only has this already been a problem, but HUD will actually reduce the FMRs in many areas based on the surveys in the future. For a project that is HOME financed this means that they must reduce rents. A project in this position may not be able to meet its debt burden and face foreclosure.

A primary obstacle for constructing affordable housing in rural areas is the HOME Fair Market Rent (FMR) requirement. North Carolina is mostly a rural state with few metropolitan areas and low FMRs. When HUD thinks of FMRs they are usually considering New York, Boston, Chicago or other high rent areas, not North Carolina.
From the federal perspective, any change for the benefit of rural states would create problems in these cities. The result is that North Carolina and other rural states with low FMRs can't properly use HOME funds.

In rural areas, when feasible financing for new rental construction is available, often the most affordable land is on the outskirts of urbanized areas, far from services such as public transit and day care that are necessary for low-income families. This locational displacement serves as an additional burden to very low-income households, who must spend precious time and money (either through the purchase of an automobile and all of its associated costs or arranging private transportation) to access jobs and services.

Units produced by 100 percent HOME financing require that all of the units follow the HOME rules. All unit rents must be restricted to the FMRs, which often are at or below $400 per month. With these very low rents the units struggle to meet operating costs (even if the HOME funds are loaned without repayment terms), and cannot bear any cost spikes that may occur in an operating cost, such as a property tax increase. When a project is built with HOME it is usually very close to the FMR from the very beginning. FMRs historically increase at no more than 1.5 percent per year. If the project needs a two percent increase to meet costs, the HOME program will not allow it. The current process for getting a waiver from HUD is complicated, time consuming and requires that the project practically default before being considered. If a project does foreclose NCHFA may be forced to repay all of the HOME funds.

Since HOME cannot be used for operating or replacement reserves the projects begin without sufficient long-term capital. Adequate reserves are a basic rule of real estate development.

One way to create the necessary reserves is to provide equity to the project from tax credits. Not only can the equity be used for reserves, but it creates no debt. When combining the credit equity with HOME you have the ability to produce a project with no debt at all. This is a very desirable outcome and a way to leverage HOME funds.

The problem is that tax credit investors are not willing to invest in projects that cannot raise rents normally (again, only 1.5 percent per year with the possibility of being decreased). Using typical real estate development models the rent restrictions of the HOME program cause the projects to fail in a few years. This probable result eliminates investor interest.

An additional obstacle to affordable home construction has been the dramatic rise in the cost of building materials in recent years. Without substantial increases in subsidies for new home or rental unit construction, those increased costs must unfortunately be passed down to the buyer or renter. By doing so, some households may possibly be pushed out of a market for improved housing that otherwise would have been able to afford an improved quality of life.

Developers seeking to build multifamily housing often face “not in my backyard” (NIMBY) concerns, even when the units will be for-sale condominiums. These concerns are heightened for affordable rental housing. Usually between three and five of the tax credit proposals received each year by the NC Housing Finance Agency and the Division of Community Assistance fail to receive land use approvals for what may be NIMBY reactions from neighbors. The North Carolina Housing Coalition is currently investigating the occurrence of NIMBY fights across the state to determine ways to best approach these political standoffs and still ensure that safe, decent, and sanitary housing for our state's poorest residents is achieved.

Summary of Existing Programs

The Rental Production Program provides affordable rental housing for low-income families throughout the state. Through RPP loans, NCHFA provides long-term financing for rental developments that serve families earning 60% or less of the area median income. The loans are funded either from N.C. Housing Trust Fund or the HOME program and are awarded through an annual competitive cycle.

Federal low-income housing tax credits now finance a substantial portion of the new affordable rental housing being built in the United States. LIHTC rental properties are privately owned and privately managed. In exchange for the funding provided through the tax credit, owners agree to keep rents affordable to households with incomes at or below 60% of the local median income for a period of 30 years.

The owners are eligible to take a tax credit equal to 9 percent of the "Qualified Cost" of building or rehabilitating the property (excluding land, certain soft costs, and costs financed by other federal government subsidies). The tax credit is available each year for 10 years, as long as the property continues to operate in compliance with program regulations.

Equity from the sale of tax credits reduces the amount of debt financing required, which reduces the monthly debt service for the property, thereby making it economically feasible to operate the property at below-market rents. Residents are responsible for their own rent payments, unless rent subsidies are available from other programs.

Tax-exempt bonds and the corresponding 4 percent tax credits operate in a very similar fashion to 9 percent tax credits. The main difference is that the tax-exempt bonds have a reduced interest rate and have to finance at least 50 percent of the project costs. This requirement means a greater debt service burden than applies to most 9 percent properties.

The Division of Community Assistance utilizes Community Development Block Grant (CDBG) funds for new construction by funding the required infrastructure for new development. There are a number of different program requirements based upon the type of housing to be constructed.

For multi-family projects targeted to residents who, for one reason or another, will continue to rent, DCA will provide for installation of public infrastructure (water and sewer lines are automatically eligible for funding; streets, sidewalks and drainage may be funded on a case by case basis), the removal of hazardous material, acquisition of vacant land (by an eligible nonprofit) or vacant ***historic*** buildings (by an eligible nonprofit or for-profit developer), and certain rehabilitation activities (on a case-by-case basis).

Expected Units and Funding

The NCHFA expects to allocate federal and state low-income housing tax credits to between 2,500 and 3,000 units per year over the next five years, for a total of approximately 15,000 units. Of these units, approximately 4,290 will be new construction for high-priority households, with development costs of approximately $343 million. The NCHFA will award state and federal tax credits resulting in approximately $220.3 million in equity. For 550 of these units, funding will also be provided by $9.4 million in HOME funds and $3.15 million in HTF and other State funding.

A portion of the units that will be created through Low Income Housing Tax Credits will also be supported by additional funding from the Community Development Block Grant program. Approximately 200 of these tax-credit units for high priority renters will receive CDBG funds from the Division of Community Assistance. DCA will provide up to $2 million each year for new housing construction through its Housing Development program. Approximately half of these funds are expected to be dedicated to new rental developments. DCA expects to create approximately 450 new rental units (200 of which will be in conjunction with tax credit projects, as mentioned above) using $2.7 million in CDBG funds for high priority households over the next five years.

Financing of Rental Rehabilitation

Objective: Finance rehabilitation of 1,830 units for high-priority renter households from 2006-2010 using approximately $73.4 million in state and federal tax credit equity, $5 million in CDBG funds, and $843,000 in HOME funds.

Population & Need

Local governments and housing nonprofits across the state attest that there is a sizable need for this activity. According to estimates based on American Housing Survey data, more than 100,000 renter households have moderate or severe condition problems (including nearly 15,000 with heating problems). It is not known how many of these households are in the high priority renter category, but according to census data 250,000 extremely low-income and very low-income households have inadequate plumbing or kitchen facilities, are overcrowded, or pay more than they can afford.

How Activity Meets Need

Comprehensive rehabilitation will result in higher quality rental housing. It will update the affected housing units with modern fixtures and amenities. The rehabilitation of rental housing also decreases the environmental health hazards frequently experienced by low-income households in substandard housing.

Obstacles to Meeting Need With This Activity

Surprisingly, lack of resources is not a major difficulty. Between HOME, CDBG, tax credits and tax-exempt bonds, the state has well over $100 million available. Unfortunately the latter two of these sources are not feasible for smaller efforts. The transaction costs (legal and accounting) are prohibitive unless the overall budget is several million dollars. For example, governments will not issue tax-exempt bonds for less than $5 million, which rules out it use for most projects with less than 100 units. CDBG funds, while eligible for rental rehabilitation under the state's Small Cities program, are not widely used. In previous years property owners have seen the recapture period as unwieldy, and many owners are reluctant to agree to meet low-income rental requirements for the recapture period. Currently, CDBG Small Cities funds are targeted predominantly to homeowners earning below 50 percent of area median income.

Another obstacle is the "exit tax" problem. Conducting a rehabilitation project almost always requires a transfer of the real estate, which triggers an income tax event for the seller. The resulting federal and state liability can be prohibitive. Another option for an individual owner is to "activate their estate" (die), in which case the capital gains tax is effectively eliminated. Therefore the economically rational choice is to not undertake a rehabilitation effort until after the owner passes away.

Other challenges are the various environmental, Uniform Relocation Act and lead-based paint regulations. Each creates substantial complications and additional costs, leading many developers to conclude that a federally financed rehabilitation is simply not worth the effort. The value of these rules in the context of rental rehabilitations is not clearly evident; it may be a wise policy decision for HUD to eliminate the application of these regulations to multi-family rehabilitation efforts.

Summary of Existing Programs

There is a set-aside of nine percent of each year's LIHTC allocation for rehabilitation. This competitive program gives priority to the state's most distressed housing and discourages applications that primarily subsidize ownership transfer. Tax-exempt bonds and the corresponding 4 percent of LIHTCs are readily available to fund rehabilitation but are only cost-effective for very large developments.

The North Carolina Division of Community Assistance addresses comprehensive housing rehabilitation through two programs. The Concentrated Needs program primarily addresses housing needs, and it is through this program that most rental rehabilitation takes place under CDBG. In this program concentrated areas of at least six homes can have their housing needs addressed through either rehabilitation of the dwelling or a replacement of a dilapidated dwelling unit. The funds for this program are distributed on a competitive basis in which local units of government must vie for funding through an application process. Any residents that earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

The second program offered by DCA that allows for housing rehabilitation and replacement is Revitalization Strategies. These grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum. Any residents that earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation.

NCHFA created the Preservation Loan Program for this activity and will utilize HOME funds. The first awards will be in 2005, but the continuing duration of the program is unknown. Funds will be used for rehabilitation costs for multifamily housing that is not able to utilize other resources; developer fees, soft costs and ownership transfers are not eligible. Refinancing will be a possibility in some circumstances.

Expected Units and Funding

The NCHFA expects to allocate federal and state low-income housing tax credits to between 2,500 and 3,000 units per year over the next five years, for a total of approximately 15,000 units. Of these units, approximately 1,450 will be rehabilitation for high-priority households, with development costs of approximately $115 million. The NCHFA will award state and federal tax credits for rehabilitation resulting in approximately $73 million in equity. For 60 of these units, funding will also be provided by $475,000 in HOME funds.

A conservative estimate is that NCHFA will use $735,000 in HOME funding to finance rehabilitation benefiting 360 households over five years through the Preservation Loan Program. Half of these households will fall into the High Priority Renter category.

The Division of Community Assistance expects to rehabilitate or replace over 1,900 substandard dwelling units from 2006-2010. A large majority of these units will be owner-occupied, so the Division does not plan for its share of rental rehabilitation to be large. Therefore, the Division estimates that over the next five years approximately 200 rental units will rehabilitated for renters in the High Priority category using approximately $5 million in CDBG funds.

HIGH PRIORITY HOMEOWNERS

High priority homeowners are those owners most at risk of suffering from a housing problem (cost burdening, poor condition, or overcrowding). The Consolidated Plan partners have defined these high priority homeowners as those living in urban areas earning between zero and 30 percent of the area's median family income and those living in rural areas earning between zero and 50 percent of the area's median family income. Due to very low income levels, these homeowners are unlikely to be able to afford necessary repairs to their homes and are more likely to need to overcrowd a dwelling unit in order to afford it than those at higher income levels.

Activities to address the needs of high priority homeowners include:

- ❖ Urgent Repair
- ❖ Comprehensive Rehabilitation
- ❖ Replacement Housing
- ❖ Foreclosure Prevention Activities
- ❖ Residential Water/Sewer Infrastructure

Urgent Repair

Objective: Provide urgent repair to 3,500 elderly or disabled households whose homes are in dire need of immediate attention. These activities will be funded using $10 million from the North Carolina Housing Trust Fund and $2.6 million of CDBG funds.

Population & Need

With improved life expectancies a larger proportion of North Carolina's population has become comprised of elderly individuals. Elderly homeowners express a strong preference for remaining in their homes as they age and are more likely to be living in older homes where, because of income limitations and/or the death of a spouse, many are unable to perform regular maintenance necessary for their homes to remain safe. Very low- and low-income households with disabilities or the frail elderly are frequently in need of accessibility improvements and are oftentimes unable to afford them.

Rural residents of extreme or very low income have a variety of challenges to face. Due to their lack of disposable income, home repair and maintenance can become an overwhelming financial strain. Unlike their urban counterparts, transportation is difficult because of the lack of public transportation. Therefore, hiring private services, depending on friends or family, or spending a disproportionate amount of their income on an automobile is a difficult burden, further depleting funds for home maintenance and repair. Furthermore, much of the population within this bracket is elderly, depending on a fixed income that cannot meet their home maintenance needs.

How Activity Meets Need

Urgent repair is a vital activity for low-income homeowners across the state. Though urgent repair is not designed to meet all housing codes or HUD-required rehabilitation goals, it is a reasonable way to ensure that homeowners may remain in their homes. Through cost-effective measures such as installing assistive devices (ramps, rails, grab bars) and alleviating housing conditions which pose an imminent threat to the life or safety low-income homeowners with disabilities or the elderly, those owners are able to remain in their homes and premature institutionalization is oftentimes prevented.

Obstacles to Meeting Need With This Activity

With limited resources, all of the needs for providing accessibility modifications and other repairs necessary to prevent displacement as well as alleviate housing condition problems which pose imminent threats to the life or safety of low-income households cannot be met. More resources are necessary to have a greater impact through these repairs/modifications. Also, the lack of specific statewide data on conditions of units and an inadequate housing delivery system for rehabilitation pose obstacles. Furthermore, in recent years the cost of housing repair has increased dramatically. The rising cost of building materials and increased competition for contractors (due to the state's growing population) have led to skyrocketing costs.

Summary of Existing Programs

The North Carolina Housing Finance Agency's Urgent Repair Program provides up to $5,000 in the form of a grant to alleviate housing conditions which pose an imminent threat to the life or safety of very low-income homeowners and to provide accessibility modifications and other repairs necessary to prevent displacement of very low-income homeowners with special needs.

Urgent repair activities are currently allowed in the CDBG Scattered Site Housing program. The Scattered Site Housing program targets rural homeowners earning less than 50 percent of Median Family Income for comprehensive repair or replacement of a dilapidated dwelling unit. Each non-urban county in the state receives a $400,000 grant every three years. Counties may choose to set aside a portion of their funds for urgent repair in order to maximize the number of dwelling units that may be brought to habitable condition.

Expected Units and Funding

From 2006-2010 NCHFA will likely invest approximately $10,000,000 in Housing Trust Fund monies and other Agency funds under the Urgent Repair Program, resulting in repairs or modifications for 3,000 households with incomes less than 50 percent of AMI. This has not been a HOME-funded program in the past, and NCHFA anticipates funding it with Housing Trust Funds in the future; if such funds are not available it may use HOME funds to do similar urgent activity (modifying the activity if necessary to comply with HOME regulations).

Currently, ten percent of funds in the Division's Scattered Site Housing program may be set-aside for Urgent Repair, at the county's option. DCA estimates that 500 households will be assisted through Urgent Repair activities from 2006-2010 using $2.6 million in CDBG funds.

Comprehensive Rehabilitation

Objective: Rehabilitate 1,075 homes for high priority households, utilizing $19 million in HOME funds, $16 million in CDBG funds, and $600,000 in Duke HELP funds.

Population & Need

According to the 2000 Census, 6,110 owner-occupied housing units in North Carolina lacked complete kitchen facilities and 9,484 owner-occupied units lacked complete plumbing facilities. Estimates based on American Housing Survey data indicate 20,000 housing units in North Carolina have a severe pluming problem. Estimates based on the same survey data indicate that there are 60,000 owner-occupied housing units with a moderate condition problem, and 28,500 with a severe condition problem. Estimates regarding moderate and severe heating problems are particularly concerning: approximately 36,000 owners live in conditions resulting in difficulty heating their homes and an estimated 6,600 do not have heat. Problems in plumbing, heating and upkeep of the home are the most prevalent.

Data show that housing condition problems are great, but the state does not know what percent of the affected households would be better served with replacement housing than rehabilitation, or what percents fall into high, medium, or low priority categories. Because of this, similar or identical discussions appear in several places in this document.

As life expectancies have increased, the proportion of North Carolina's population that is elderly has risen. Elderly homeowners are more likely to live in older homes where, due to income limitations and/or the death of a spouse, many are unable to afford regular maintenance necessary for their homes to remain safe.

Elderly rural residents of extreme or very low income face particular challenges. Unlike their urban counterparts, transportation is difficult because of the lack of public transportation. Because of this, these residents must hire private services, depend on friends or family, or spend a disproportionate amount of their income on an automobile is an extra burden, further depleting funds that might be used for home maintenance and repair.

How Activity Meets Need

Housing rehabilitation will be a central strategy for addressing the housing needs of elderly homeowners with incomes less than 50 percent of AMI. Comprehensive rehabilitation, maintenance and weatherization result in lower energy costs, thus increasing the long-term affordability of their housing. Comprehensive rehabilitation, maintenance, weatherization and installation of assistive devices (ramps, rails, grab bars) is a cost effective way to help seniors to remain in their homes and prevent premature institutionalization.

Obstacles to Meeting Need With This Activity

With limited resources and the rising costs of housing rehabilitation, all of the housing condition problems with units owned and occupied by households with incomes less than 80 percent AMI cannot be met. Additionally, the lack of specific statewide data on housing conditions and an inadequate housing delivery system for rehabilitation pose obstacles.

In recent years the cost of comprehensive rehabilitation of dwelling units has increased dramatically. The rising cost of building materials, stricter regulatory requirements (such as lead based paint abatement), and increased competition for contractors due to the state's growing population have led to these skyrocketing costs.

Summary of Existing Programs

The North Carolina Housing Finance Agency's Single-Family Rehabilitation Program provides up to $40,000 in the form of deferred forgiven loans for the comprehensive rehabilitation of housing units owned and occupied by households with incomes less than 80 percent of AMI.

The North Carolina Division of Community Assistance addresses comprehensive housing rehabilitation through three programs. The Scattered Site Housing program targets this population most definitively. Only homeowners below 50 percent of median family income are eligible for the program. Scattered Site Housing provides funding for each eligible county in the state every three years for rehabilitation or replacement, when necessary, of existing homes for residents meeting the income eligibility requirements.

The second program that DCA utilizes to address housing rehabilitation and replacement activities is Concentrated Needs. In this program concentrated areas of at least six homes can have their housing needs addressed through either rehabilitation of the dwelling or a replacement of a dilapidated dwelling unit. The funds for this program are distributed on a competitive basis in which local units of government must vie for funding through an application process. Any residents at 80 percent or below of median family income, and who lives in the target area, is eligible for housing rehabilitation or replacement.

The third program offered by DCA that allows for housing rehabilitation and replacement is Revitalization Strategies. These grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum. Any residents who earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

The North Carolina Housing Finance Agency administers Duke HELP funds. This program provides funds to Duke

Power customers whose incomes are below 80% of area median. Assistance is channeled through local governments, nonprofit organizations, and regional councils. Duke HELP can be only used for energy-efficient measures to owner-occupied housing and must be matched with other funds to comprehensively rehabilitate all units assisted.

Expected Units and Funding

From 2006-2010 NCHFA will likely invest approximately $29.4 million in HOME funds for the rehabilitation of owner-occupied single-family housing units, assisting 730 low-income households. Approximately 480 of those households will be high-priority households, using $19 million.

Furthermore, NCHFA will spend approximately $600,000 of Duke HELP money to help 45 high priority homeowners. This money will be spent on improving the energy efficiency of the homes.

The Division of Community Assistance expects to rehabilitate or replace over 1,900 substandard dwelling units from 2006-2010. Of these, 550 units are expected to be a rehabilitation of an owner-occupied home for a household in the High Priority category. A total of approximately $16 million of CDBG will be devoted to housing rehabilitation for households in this category.

Replacement Housing

Objective: Provide a suitable and comparable replacement home for 550 elderly and other high priority households utilizing approximately $32 million in CDBG funds.

Population & Need

Data show that housing condition problems are great, but the state does not know what percent of the affected households would be better served with replacement housing than rehabilitation, or what percents fall into high, medium, or low priority categories. Because of this, similar or identical discussions appear in several places in this document.

According to the 2000 Census, 6,110 owner-occupied housing units in North Carolina lacked complete kitchen facilities and 9,484 owner-occupied units lacked complete plumbing facilities. Estimates based on American Housing Survey data indicate 20,000 housing units in North Carolina have a severe plumbing problem. Estimates based on the same survey data indicate that there are 60,000 owner-occupied housing units with a moderate condition problem, and 28,500 with a severe condition problem. Estimates regarding moderate and severe heating problems are particularly concerning: approximately 36,000 owners live in conditions resulting in difficulty heating their homes and an estimated 6,600 do not have heat. Problems in plumbing, heating and upkeep of the home are the most prevalent.

Rural residents of extreme or very low income face particular challenges. Unlike their urban counterparts, transportation is difficult because of the lack of public transportation. Because of this, these residents must hire private services, depend on friends or family, or spend a disproportionate amount of their income on an automobile is a burden, further depleting funds that might have been used for home maintenance and repair.

How Activity Meets Need

Replacement of dilapidated dwelling units is a key activity for the Division of Community Assistance. When addressing the housing needs of elderly rural homeowners between zero and 50 percent of (MFI), rehabilitation of the existing unit is the preferred method of improving the housing stock. However, many units across the state have become dilapidated to the point that it is not cost effective to rehabilitate the dwelling; this is especially true of the state's stock of older manufactured housing. Furthermore, CDBG regulations cap the amount that can be spent to rehabilitate a housing unit at $29,999 or $33 per square foot, whichever is higher. If the cost to bring the housing unit to safe, decent, and sanitary condition that meets codes is above the rehabilitation spending limits, comparable replacement housing can and should be provided.

Obstacles to Meeting Need With This Activity

The majority of replacement housing is for manufactured housing, generally of at least twenty years of age. While the quality of manufactured housing has increased significantly in recent years, so has the cost for new manufactured dwelling units. As costs increase, the number of households that can be relocated to better housing decreases. Furthermore, as more communities restrict where manufactured housing can be located, the ability to use manufactured housing as a replacement option diminishes. DCA has not yet encountered this issue on a widespread basis, but is aware that the issue could increase in the future.

The rising cost of building materials and increased competition for contractors due to the state's growing population have led to increasing costs. In addition, landfill costs for disposal of demolished houses must also be taken into account. As landfills near capacity in many parts of the state, clearance and demolition activities may become more difficult and costly.

Summary of Existing Programs

The North Carolina Division of Community Assistance addresses housing rehabilitation and replacement through three programs. The Scattered Site Housing program targets this population most definitively. Only homeowners below 50 percent of median family income are eligible for the program. Scattered Site Housing provides funding for each eligible county in the state every three years for rehabilitation or replacement, when necessary, of existing homes for residents meeting the income eligibility requirements.

The second program that DCA utilizes to address replacement housing is Concentrated Needs. In this program concentrated areas of at least six homes can have their housing needs addressed through replacement of a dilapidated dwelling unit if cost-benefit analysis mandates this approach. The funds for this program are distributed on a competitive basis in which local units of government vie for funding through an application process. Any residents who earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

The third program offered by DCA that allows for replacement housing is Revitalization Strategies. These grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum. Any residents who earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

Expected Units and Funding

The Division of Community Assistance expects to rehabilitate or replace over 1,900 substandard dwelling units from 2006-2010. Of these, 550 replacement units for dilapidated housing are expected to be provided to owner-occupied households in the High Priority category using $32 million in CDBG funds.

Foreclosure Prevention Activities

Objective: Prevent foreclosure for 475 homeowners with $2.5 million in state-appropriated funds for the Home Protection Pilot Program and $280,000 in NCHFA funds.

Population & Need

In North Carolina, the number of foreclosure cases filed has increased dramatically: in 2003 there were roughly 44,000 cases (compared to approximately 15,000 in 1998). Increased foreclosures are impacting all areas of the state. The life-shaking event of foreclosure can have the effect of putting a family formerly in homeownership directly into homelessness. This is particularly a problem in North Carolina because the limited infrastructure and services we have to serve the homeless are primarily located in urban areas while many foreclosures relating to plant closures are occurring in rural areas.

How Activity Meets Need

There are two basic types of foreclosure prevention activity: counseling and financial assistance. Financial assistance programs are loan programs or grant programs to help the homeowner pay the mortgage during a gap between jobs. Alternatively, lenders can choose to defer some monthly payments, giving the homeowner time to obtain new employment, and either require repayment after the end of the term of the original mortgage or increase the remaining payments slightly to absorb the value of the deferred payments. Counseling programs sometimes assist the buyer with finding employment, with budgeting during the period of unemployment, or with refinancing the home at terms the borrower can afford.

Obstacles to Meeting Need With This Activity

One obstacle is the lack of knowledge about the availability of counseling and financing options. If a homeowner seeks assistance before the mortgage payments are past due, refinancing the home or arranging for a loan workout is more feasible than if the homeowner does not find assistance until payments are past due. However, many homeowners do not seek assistance until it is too late.

Another obstacle is the lack of adequate funding for housing counselors. Counseling organizations and housing nonprofits around the state attest that the demand for counseling far exceeds the capacity of counseling organizations, and funding to expand counseling capacity is inadequate to meet the need.

A third obstacle is the extremely limited amount of funding for financial assistance during the period of unemployment.

<u>Summary of Existing Programs</u>

The North Carolina Housing Finance Agency administers the Home Protection Pilot Program, in select counties. Created at the request of the General Assembly; this program received an initial appropriation of $1.7 million, and contains both a financing component and a counseling component for households who lose their employment due to no fault of their own. This program is available for loans outside the NCHFA's portfolio.

NCHFA also includes a foreclosure prevention feature in its Mortgage Revenue Bond Program; for qualified borrowers, in the event of job loss, the NCHFA gives deferred loans for the amount of 4-months of mortgage payments, which is repaid at the end of the 30 year term, regardless of the time remaining on the original mortgage.

Additionally, the NCHFA promotes a Job Loss feature through the private mortgage industry for conventional loans in the NCHFA's portfolio. The assistance is for six months of mortgage payment, and is at no cost to the NCHFA or to the borrower.

<u>Expected Units and Funding</u>

The Agencies do not expect to use federal HOME, CDBG, ESG, or HOPWA funds for foreclosure prevention activities.

In 2006-2010 NCHFA anticipates using $2.5 million appropriated by the General Assembly under its Home Protection Pilot Program, to enable 275 households to prevent foreclosure. In addition, it expects the Job Saver feature of its Mortgage Revenue Bond program to help 200 households avoid foreclosure during that time period; this program will utilize $280,000 in NCHFA funds.

The NCHFA also expects to help 350 households prevent foreclosure each year (1,750 in 5 years) through its promotion of Job Loss feature through the private industry, but does not plan to track the number helped, so is not including those households in the metrics for this plan.

Residential Water/Sewer Infrastructure

Objective: Provide approximately 500 high priority households with new water and/or wastewater services using approximately $21 million in CDBG funds. Allow for an additional 900 households to receive hook-ups to public water and/or wastewater lines using $2.8 million and for repair of on-site well and/or septic systems for 265 households using $1.3 million in CDBG funds.

Population & Need

One of the most pressing problems facing elderly homeowners below 50 percent of area median income in rural areas of North Carolina is the lack of clean water and proper wastewater facilities. A significant number of on-site wastewater treatment devices installed at older homes have begun to fail across the state. The issuance of effluent into streams or seepage to the surface from failed septic tanks becomes an environmental as well as a public health issue. Groundwater contamination from poor on-site wastewater systems can affect drinking water supplies for many rural residents who depend on wells for their water supply.

Access to safe drinking water is vital for rural residents, most of who do not have access to public water supplies and must depend on wells. When groundwater is threatened, either due to contamination, low levels, or drought, very low-income households lacks the ability to adjust without significant financial burden. The ability of residents to remain in their homes is jeopardized when it is unhealthy for them to do so due to failed septic systems or contaminated or low levels of groundwater.

How Activity Meets Need

Though not seen in the past as a direct housing activity, the provision of water and/or sewer infrastructure to rural areas is essential to improving the lives of North Carolina's low-income homeowners and allowing them to remain in their homes. This activity is considered a high priority in areas where poor water quality or failing on-site wastewater systems become a danger to public health. In many areas of our state, resident's homes have been threatened by lack of access to safe drinking water. Due to either contamination or low supply, many residents must contemplate abandoning a home that is structurally sound because it is unsafe due to lack of access to clean and safe water. Furthermore, due to the low-income status of these residents, use of bottled water is an undue financial burden.

Poor water quality is often the result of improper wastewater treatment. Failed septic systems and poor soils lead to groundwater contamination. This is becoming especially prevalent in rural mobile home parks, particularly those where a common drain field is utilized. In many places across the state, residents continue to "straight pipe" that is, directly discharge untreated sewage and wastewater into streams or onto the ground surface. This leads to surface water contamination and is a public health and environmental risk not only for the immediate community but also any others farther downstream. Identifying households that are straight piping and preventing unsanitary discharge with proper on-site wastewater facilities is vital to remove public health concerns and ensure that the communities housing stock is not abandoned or threatened due to such actions.

Obstacles to Meeting Need With This Activity

The greatest need for provision of public water and wastewater services is in the western part of the state. However, the topography in the foothills and mountains make public service prohibitively expensive for most communities. Poor soils in other parts of the state, particularly the piedmont where much of the soil has significant amounts of clay, make the provision of traditional on-site wastewater systems problematic.

Summary of Existing Programs

The Division of Community Assistance operates three programs designed to address water and wastewater infrastructure needs. The Infrastructure program provides water and/or wastewater lines to existing residential areas that previously had no public service, provided the majority of the population meets LMI qualifications. The Infrastructure Hook-Up program provides funds to allow local governments to hook residents up to water and/or wastewater lines that are pre-existing near the resident's homes, but the residents have not been able to afford hook-up costs or tap fees. The Scattered Site Housing category will address the needs of households with on-site water or wastewater treatment systems by allowing counties to identify such households experiencing problems with their well and/or septic systems and providing funds to repair or install new systems.

In addition, there are two categories of funding from DCA using CDBG funds that can treat residential water and/or wastewater problems. Both the Concentrated Needs and Revitalization Strategies categories allow for, and usually address, households that do not have access to public water and/or sewer by installing new lines or hooking dwelling up to existing lines.

Expected Units and Funding

The Division of Community Assistance will earmark $5 million per year of CDBG funds for rural infrastructure needs across the state amount for High Priority. Furthermore, infrastructure needs may be addressed within the Concentrated Needs category. It is estimated that 20 percent of Concentrated Needs funds will be devoted to water and wastewater treatment concerns. The combination of these programs should yield new public water and/or wastewater services to approximately 500 high priority households for whom no service was previously available using approximately $21 million in CDBG funds. In addition, DCA expects to provide 900 high priority households with hook-up service to existing water and/or wastewater lines using approximately $2.8 million in CDBG funds.

Finally, counties will have the option to use up to ten percent of their Scattered Site Housing funds for well and/or septic repair. It is estimated that, over the next five years, counties will utilize $2 million in CDBG funds to address these issues. DCA expects for $1.3 million of these funds to be used for 265 high priority households.

MEDIUM PRIORITY RENTERS

Medium priority renters are defined by the Consolidated Plan partners as those living in urban areas earning between 31 and 50 percent of the area's median area income and those living in rural areas earning between 51 and 60 percent of the area's median family income. These renters will often suffer from the same condition and cost burdening problems as those in the high priority category, but are considered to be more mobile and can afford slightly higher standards due to the increased amount of income compared to high priority renters. Furthermore, this category of residents is in much less demand of public services and is helped better through efforts to improve the current housing stock and increase the amount of safe, decent, and sanitary rental housing in their area.

Activities to address the needs of medium priority renters include:

- ❖ Financing of New Construction
- ❖ Financing of Rental Rehabilitation

Financing of New Construction

Objective: Finance the development of 5,085 new rental units affordable to medium priority renters.

Population & Need

There are more than 100,000 renter households earning between 31 and 50 percent of AMI in North Carolina that have housing problems (rent-burdening, lacking adequate plumbing, inadequate kitchens, and or overcrowding).

Many urban dwellers depend on rental housing due to high land costs. In urban areas, cost is the most prohibitive factor-keeping people out of safe, decent, and sanitary housing. For the units that were vacant-for-rent in 2000, in the metropolitan counties, the rents asked were higher than in the micropolitan and rural counties. These rents were often well above the affordability levels for those of extremely low income.

Rural areas are in desperate need of descent quality rental housing stock. While urban areas may have a healthy supply of rental housing (although affordable), multifamily houses are scarce in much of the state's rural areas. Renters in rural areas are often required to rent older homes in poor condition due to a lack of new rental housing.

Both quantitative and qualitative data describe a situation where the rental housing stock across the state is poor, especially for those residents in the lowest income brackets. North Carolina is estimated to have 71,368 rental-housing units with a moderate condition problem and 33,256 with a severe condition problem. Consultations with local housing providers in urban areas confirm that even where housing does exist for extremely low-income residents, the quality is generally very poor.

How Activity Meets Need

One of the major obstacles to provision of proper housing for extremely low-income individuals and families is that safe, decent, and sanitary housing cannot be made available to such persons without significant financial subsidy. The primary benefit of the development of new affordable rental units is that more units are available in the market. These units provide alternatives to the substandard units currently available for the lowest-income households. They also provide competition for the rental units already available, which brings down the price for the existing units.

Obstacles to Meeting Need With This Activity

Land and development costs are almost always higher in urban areas than they are in rural places. These inflated costs make provision of housing for extremely low income residents relatively expensive. Development has been getting noticeably more expensive since 1992. In 2004 dollars, the value per unit (measured at the point of permitting) of multi-family housing in North Carolina averaged $62,900. This is 80.5 percent of the average costs of all the states in the South ($78,100). Cost burden will continue to be the greatest obstacle to provision of housing as these high costs are passed down to the consumer. According to the National Low Income Housing Coalition's 2003 Out of Reach Report, 41 percent of North Carolina's renter households (over 393,000 households) were unable to afford a two-bedroom apartment at the Fair Market Rent (FMR) in 2003.

In our non-metropolitan areas there is a real need to produce new high quality units. Many of the towns have not seen any significant new construction in many decades. Most of the rental housing is old and substandard, or in many cases exclusively mobile homes. The FMR rents are based on phone assessments of these units and therefore do not reflect new properties. The rents generated from the studies are not adequate to support the construction of new units. Not only has this already been a problem, but HUD will actually reduce the FMRs in many areas based on the surveys in the future. For a project that is HOME financed this means that they must reduce rents. A project in this position may not be able to meet its debt burden and face foreclosure.

A primary obstacle for constructing affordable housing in rural areas is the HOME Fair Market Rent (FMR) requirement. North Carolina is mostly a rural state with few metropolitan areas and low FMRs. When HUD thinks of FMRs they are usually considering New York, Boston, Chicago or other high rent areas, not North Carolina. From the federal perspective, any change for the benefit of rural states would create problems in these cities. The result is that North Carolina and other rural states with low FMRs can't properly use HOME funds.

In rural areas, when feasible financing for new rental construction is available, often the most affordable land is on the outskirts of urbanized areas, far from services such as public transit and day care that are necessary for low-income families. This locational displacement serves as an additional burden to very low-income households, who must spend precious time and money (either through the purchase of an automobile and all of its associated costs or arranging private transportation) to access jobs and services.

Units produced by 100 percent HOME financing require that all of the units follow the HOME rules. All unit rents must be restricted to the FMRs, which often are at or below $400 per month. With these very low rents the units struggle to meet operating costs (even if the HOME funds are loaned without repayment terms), and cannot bear any cost spikes that may occur in an operating cost, such as a property tax increase. When a project is built with HOME it is usually very close to the FMR from the very beginning. FMRs historically increase at no more than 1.5 percent per year. If the project needs a two percent increase to meet costs, the HOME program will not allow it. The current process for getting a waiver from HUD is complicated, time consuming and requires that the project practically default before being considered. If a project does foreclose NCHFA may be forced to repay all of the HOME funds.

Since HOME cannot be used for operating or replacement reserves the projects begin without sufficient long-term capital. Adequate reserves are a basic rule of real estate development.

One way to create the necessary reserves is to provide equity to the project from tax credits. Not only can the equity be used for reserves, but it creates no debt. When combining the credit equity with HOME you have the ability to produce a project with no debt at all. This is a very desirable outcome and a way to leverage HOME funds.

The problem is that tax credit investors are not willing to invest in projects that cannot raise rents normally (again, only 1.5 percent per year with the possibility of being decreased). Using typical real estate development models the rent restrictions of the HOME program cause the projects to fail in a few years. This probable result eliminates investor interest.

An additional obstacle to affordable home construction has been the dramatic rise in the cost of building materials in recent years Without substantial increases in subsidies for new home or rental unit construction, those increased costs must unfortunately be passed down to the buyer or renter. By doing so, some households may possibly be pushed out of a market for improved housing that otherwise would have been able to afford an improved quality of life.

Developers seeking to build multifamily housing often face “not in my backyard” (NIMBY) concerns, even when the units will be for-sale condominiums. These concerns are heightened for affordable rental housing. Usually between three and five of the tax credit proposals received each year by the NC Housing Finance Agency and the Division of Community Assistance fail to receive land use approvals for what may be NIMBY reactions from neighbors. The North Carolina Housing Coalition is currently investigating the occurrence of NIMBY fights across the state to determine ways to best approach these political standoffs and still ensure that safe, decent, and sanitary housing for our state’s poorest residents is achieved.

Summary of Existing Programs

Federal low-income housing tax credits now finance a substantial portion of the new affordable rental housing being built in the United States. LIHTC rental properties are privately owned and privately managed. In exchange for the funding provided through the tax credit, owners agree to keep rents affordable to households with incomes at or below 60% of the local median income for a period of 30 years.

The owners are eligible to take a tax credit equal to 9 percent of the "Qualified Cost" of building or rehabilitating the property (excluding land, certain soft costs, and costs financed by other federal government subsidies). The tax credit is available each year for 10 years, as long as the property continues to operate in compliance with program regulations.

Equity from the sale of tax credits reduces the amount of debt financing required, which reduces the monthly debt service for the property, thereby making it economically feasible to operate the property at below-market rents. Residents are responsible for their own rent payments, unless rent subsidies are available from other programs.

Tax-exempt bonds and the corresponding 4 percent tax credits operate in a very similar fashion to 9 percent tax credits. The main difference is that the tax-exempt bonds have a reduced interest rate and have to finance at least 50 percent of the project costs. This requirement means a greater debt service burden than applies to most 9 percent properties.

The Rental Production Program provides affordable rental housing for low-income families throughout the state. Through RPP loans, NCHFA provides long-term financing for rental developments that serve families earning 60% or less of the area median income. The loans are funded either from N.C. Housing Trust Fund or the HOME program and are awarded through an annual competitive cycle.

The Division of Community Assistance utilizes Community Development Block Grant (CDBG) funds for new construction by funding the required infrastructure for new development. There are a number of different program requirements based upon the type of housing to be constructed.

For multi-family projects targeted to residents who, for one reason or another, will continue to rent, DCA will provide for installation of public infrastructure (water and sewer lines are automatically eligible for funding; streets, sidewalks and drainage may be funded on a case by case basis), the removal of hazardous material, acquisition of vacant land (by an eligible nonprofit) or vacant ***historic*** buildings (by an eligible nonprofit or for-profit developer), and certain rehabilitation activities (on a case-by-case basis).

Expected Units and Funding

The NCHFA expects to allocate federal and state low-income housing tax credits to between 2,500 and 3,000 units per year over the next five years, for a total of approximately 15,000 units. Of these units, approximately 4,970 will be new construction for medium-priority households, with development costs of approximately $397 million. The NCHFA will award state and federal tax credits resulting in approximately $254.9 million in equity. For 640 of these units, funding will also be provided by $10.9 million in HOME funds and $3.625 million in HTF and other State funding.

A portion of the units that will be created through Low Income Housing Tax Credits will also be supported by additional funding from the Community Development Block Grant program. Approximately 75 of these tax-credit units for medium priority renters will receive CDBG funds from the Division of Community Assistance. DCA will provide up to $2 million each year for new housing construction through its Housing Development program. Approximately half of these funds are expected to be dedicated to new rental developments. DCA expects to create approximately 190 new rental units (75 of which will be in conjunction with tax credit projects, as mentioned above) $1,125,000 for high priority households over the next five years.

Financing of Rental Rehabilitation

Objective: Finance rehabilitation of 1,945 units for medium priority renter households using approximately $85 million in state and federal tax credit equity, $2.1 million in CDBG funds, and $920,000 in HOME funds.

Population & Need

Local governments and housing nonprofits across the state attest that there is a sizable need for this activity. According to estimates based on American Housing Survey data, more than 100,000 renter households have moderate or severe condition problems (including nearly 15,000 with heating problems). It is not known how many of these households are in the high priority renter category, , but according to census data more than 100,000 households earning between 30 and 50 percent of MFI have inadequate plumbing or kitchen facilities, are overcrowded, or pay more than they can afford.

How Activity Meets Need

Comprehensive rehabilitation will result in higher quality rental housing. It will update the affected housing units with modern fixtures and amenities. The rehabilitation of rental housing also decreases the environmental health hazards frequently experienced by low-income households in substandard housing.

Obstacles to Meeting Need With This Activity

Surprisingly, lack of resources is not a major difficulty. Between HOME, CDBG, tax credits and tax-exempt bonds, the state has well over $100 million available. Unfortunately the latter two of these sources are not feasible for smaller efforts. The transaction costs (legal and accounting) are prohibitive unless the overall budget is several million dollars. For example, governments will not issue tax-exempt bonds for less than $5 million, which rules out it use for most projects with less than 100 units. CDBG funds, while eligible for rental rehabilitation under the state's Small Cities program, are not widely used. In previous years property owners have seen the recapture period as unwieldy, and many owners are reluctant to agree to meet low-income rental requirements for the recapture period. Currently, CDBG Small Cities funds are targeted predominantly to homeowners earning below 50 percent of area median income.

Another obstacle is the "exit tax" problem. Conducting a rehabilitation project almost always requires a transfer of the real estate, which triggers an income tax event for the seller. The resulting federal and state liability can be prohibited. Another option for an individual owner is to "activate their estate" (die), in which case the capital gains tax is effectively eliminated. Therefore the economically rational choice is to not undertake a rehabilitation effort until after the owner passes away.

Another challenge are the various environmental, Uniform Relocation Act and lead-based paint regulations. Each creates substantial complications and additional costs, leading many developers to conclude that a federally financed rehabilitation is simply not worth the effort. The value of these rules in the context of rental rehabilitations is not clearly evident; it may be a wise policy decision for HUD to eliminate the application of these regulations to multi-family rehabilitation efforts.

<u>Summary of Existing Programs</u>

NCHFA created the Preservation Loan Program for this activity and will utilize HOME funds. The first awards will be in 2005, but the continuing duration of the program is unknown. Funds will be used for rehabilitation costs for multifamily housing that is not able to utilize other resources; developer fees, soft costs and ownership transfers are not eligible. Refinancing will be a possibility in some circumstances.

There is a set-aside of nine percent of each year's LIHTC allocation for rehabilitation. This competitive program gives priority to the state's most distressed housing and discourages applications that primarily subsidize ownership transfer. Tax-exempt bonds and the corresponding 4 percent of LIHTCs are readily available to fund rehabilitation but are only cost-effective for very large developments.

The North Carolina Division of Community Assistance addresses comprehensive housing rehabilitation through two programs. The Concentrated Needs program primarily addresses housing needs, and it is through this program that most rental rehabilitation takes place under CDBG. In this program concentrated areas of at least six homes can have their housing needs addressed through either rehabilitation of the dwelling or a replacement of a dilapidated dwelling unit. The funds for this program are distributed on a competitive basis in which local units of government must vie for funding through an application process. Any residents that earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

The second program offered by DCA that allows for housing rehabilitation and replacement is Revitalization Strategies. These grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum. Any residents that earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation.

Expected Units and Funding

A conservative estimate is that NCHFA will use $368,000 in HOME funding to finance rehabilitation benefiting 360 households over a five-year period through the Preservation Loan Program. Half of these households will fall into the Medium Priority Renter category.

The NCHFA expects to allocate federal and state low-income housing tax credits to between 2,500 and 3,000 units per year over the next five years, for a total of approximately 15,000 units. Of these units, approximately 1,680 will be rehabilitation for medium-priority households, with development costs of approximately $134 million. The NCHFA will award state and federal tax credits resulting in approximately $85 million in equity. For 70 of these units, funding will also be provided by $552,000 in HOME funds.

The Division of Community Assistance expects to rehabilitate or replace over 1,900 substandard dwelling units from 2006-2010. A large majority of these units will be owner-occupied, so the Division does not plan for its share of rental rehabilitation to be as large. Therefore, the Division estimates that over the next five years approximately 85 rental units will be rehabilitated for renters in the medium priority category using $2.1 million of CDBG funds.

MEDIUM PRIORITY HOMEOWNERS

Medium priority homeowners are defined by the Consolidated Plan partners as those living in urban areas earning between 31 and 50 percent of MFI and those living in rural areas earning between zero and 50 percent of MFI. These homeowners will often suffer from the same condition and cost burdening problems as those in the high priority category, but are in much less demand of public services. The main strategies to address the needs of this population will be through efforts to improve the current housing stock and refinancing efforts to improve these homeowners' financial solvency and ability to remain in their homes.

Activities to address the needs of medium priority homeowners include:

- ❖ Comprehensive Rehabilitation
- ❖ Replacement Housing
- ❖ Refinancing
- ❖ Residential Water/Sewer Infrastructure

Comprehensive Rehabilitation

Objective: Rehabilitate 510 homes for medium priority homeowners, utilizing \$8.3 million in HOME funds, \$7.3 million in CDBG funds, and \$720,000 in Duke HELP funds.

Population & Need

Data show that housing condition problems are great, but the state does not know what percent of the affected households would be better served with replacement housing than rehabilitation, or what percents fall into high, medium, or low priority categories. Because of this, similar or identical discussions appear in several places in this document.

According to the 2000 Census, 6,110 owner-occupied housing units in North Carolina lacked complete kitchen facilities and 9,484 owner-occupied units lacked complete plumbing facilities. Estimates based on American Housing Survey data indicate 20,000 housing units in North Carolina have a severe pluming problem. Estimates based on the same survey data indicate that there are 60,000 owner-occupied housing units with a moderate condition problem, and 28,500 with a severe condition problem. Estimates regarding moderate and severe heating problems are particularly concerning: approximately 36,000 owners live in conditions resulting in difficulty heating their homes and an estimated 6,600 do not have heat. Problems in plumbing, heating and upkeep of the home are the most prevalent.

As life expectancies have increased, the proportion of North Carolina's population that is elderly has risen. Homeowners in the medium priority population are more likely to live in older homes where, due to income limitations and/or the death of a spouse, many are unable to afford regular maintenance necessary for their homes to remain safe.

Rural residents of extreme or very low income face particular challenges. Unlike their urban counterparts, transportation is difficult because of the lack of public transportation. Because of this, these residents must hire private services, depend on friends or family, or spend a disproportionate amount of their income on an automobile is an extra burden, further depleting funds that might be used for home maintenance and repair.

<u>How Activity Meets Need</u>

Housing rehabilitation will be a central strategy for addressing the housing needs of elderly homeowners with incomes less than 50 percent of AMI. Comprehensive rehabilitation, maintenance and weatherization result in lower energy costs, thus increasing the long-term affordability of their housing. Comprehensive rehabilitation, maintenance, weatherization and installation of assistive devices (ramps, rails, grab bars) is a cost effective way to help seniors to remain in their homes and prevent premature institutionalization.

<u>Obstacles to Meeting Need With This Activity</u>

With limited resources and the rising costs of housing rehabilitation, all of the housing condition problems with units owned and occupied by households with incomes less than 80 percent AMI cannot be met. Additionally, the lack of specific statewide data on housing conditions and an inadequate housing delivery system for rehabilitation pose obstacles.

In recent years the cost of comprehensive rehabilitation of dwelling units has increased dramatically. The rising cost of building materials, stricter regulatory requirements (such as lead based paint abatement), and increased competition for contractors (due to the state's growing population) have led to these skyrocketing costs.

<u>Summary of Existing Programs</u>

The North Carolina Housing Finance Agency's Single-Family Rehabilitation Program provides up to $40,000 in the form of deferred forgiven loans for the comprehensive rehabilitation of housing units owned and occupied by households with incomes less than 80 percent of AMI.

The North Carolina Division of Community Assistance addresses comprehensive housing rehabilitation through three programs. The Scattered Site Housing program targets this population most definitively. Only homeowners below 50 percent of median family income are eligible for the program. Scattered Site Housing provides funding for each eligible county in the state every three years for rehabilitation or replacement, when necessary, of existing homes for residents meeting the income eligibility requirements.

The second program that DCA utilizes to address housing rehabilitation and replacement activities is Concentrated Needs. In this program concentrated areas of at least six homes can have their housing needs addressed through either rehabilitation of the dwelling or a replacement of a dilapidated dwelling unit. The funds for this program are distributed on a competitive basis in which local units of government must vie for funding through an application process. Any residents at 80 percent or below of median family income, and who lives in the target area, is eligible for housing rehabilitation or replacement.

The third program offered by DCA that allows for housing rehabilitation and replacement is Revitalization Strategies. These grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum. Any residents who earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

The North Carolina Housing Finance Agency administers Duke HELP funds. This program provides funds to Duke Power customers whose incomes are below 80% of area median. Assistance is channeled through local governments, nonprofit organizations, and regional councils. Duke HELP can be only used for energy-efficient measures to owner-occupied housing and must be matched with other funds to comprehensively rehabilitate all units assisted.

<u>Expected Units and Funding</u>

From 2006-2010 NCHFA will likely invest approximately $29,400,000 in HOME funds for the rehabilitation of owner-occupied housing units, assisting 730 low-income households. Approximately 200 of these units, receiving $8.3 million in HOME investment, are medium priority households.

The Division of Community Assistance expects to rehabilitate or replace over 1,900 substandard dwelling units from 2006-2010. Of these, 250 units are expected to be a rehabilitation of an owner-occupied home for a household in the Medium Priority category using $7.3 million in CDBG funds.

In addition, NCHFA will spend approximately $720,000 of Duke HELP money to help 50 medium priority homeowners. This money will be spent on improving the energy efficiency of the homes.

Replacement Housing

Objective: Provide a replacement home for 240 medium priority households utilizing approximately $14.6 million in CDBG funds in order to provide safe, decent, and sanitary living conditions.

<u>Population & Need</u>

Data show that housing condition problems are great, but the state does not know what percent of the affected households would be better served with replacement housing than rehabilitation, or what percents fall into high, medium, or low priority categories. Because of this, similar or identical discussions appear in several places in this document.

According to the 2000 Census, 6,110 owner-occupied housing units in North

Carolina lacked complete kitchen facilities and 9,484 owner-occupied units lacked complete plumbing facilities. Estimates based on American Housing Survey data indicate 20,000 housing units in North Carolina have a severe plumbing problem. Estimates based on the same survey data indicate that there are 60,000 owner-occupied housing units with a moderate condition problem, and 28,500 with a severe condition problem. Estimates regarding moderate and severe heating problems are particularly concerning: approximately 36,000 owners live in conditions resulting in difficulty heating their homes and an estimated 6,600 do not have heat. Problems in plumbing, heating and upkeep of the home are the most prevalent.

Rural residents of extreme or very low income face particular challenges. Unlike their urban counterparts, transportation is difficult because of the lack of public transportation. Because of this, these residents must hire private services, depend on friends or family, or spend a disproportionate amount of their income on an automobile is a burden, further depleting funds that might have been used for home maintenance and repair.

How Activity Meets Need

Replacement of dilapidated dwelling units is a key activity for the Division of Community Assistance. When addressing the housing needs of elderly rural homeowners between zero and 50 percent of (MFI), rehabilitation of the existing unit is the preferred method of improving the housing stock. However, many units across the state have become dilapidated to the point that it is not cost effective to rehabilitate the dwelling; this is especially true of the state's stock of older manufactured housing. Furthermore, CDBG regulations cap the amount that can be spent to rehabilitate a housing unit at $29,999 or $33 per square foot, whichever is higher. If the cost to bring the housing unit to safe, decent, and sanitary condition that meets codes is above the rehabilitation spending limits, comparable replacement housing can and should be provided.

Obstacles to Meeting Need With This Activity

The majority of replacement housing is for manufactured housing, generally of at least twenty years of age. While the quality of manufactured housing has increased significantly in recent years, so has the cost for new manufactured dwelling units. As costs increase, the number of households that can be relocated to better housing decreases. Furthermore, as more communities restrict where manufactured housing can be located, the ability to use manufactured housing as a replacement option diminishes. DCA has not yet encountered this issue on a widespread basis, but is aware that the issue could increase in the future.

The rising cost of building materials and increased competition for contractors due to the state's growing population have led to increasing costs. In addition, landfill costs for disposal of demolished houses must also be taken into account. As landfills near capacity in many parts of the state, clearance and demolition activities may become more difficult and costly.

Summary of Existing Programs

The North Carolina Division of Community Assistance addresses housing rehabilitation and replacement through three programs. The Scattered Site Housing program targets this population most definitively. Only homeowners below 50 percent of median family income are eligible for the program. Scattered Site Housing provides funding for each eligible county in the state every three years for rehabilitation or replacement, when necessary, of existing homes for residents meeting the income eligibility requirements.

The second program that DCA utilizes to address replacement housing is Concentrated Needs. In this program concentrated areas of at least six homes can have their housing needs addressed through replacement of a dilapidated dwelling unit if cost-benefit analysis mandates this approach. The funds for this program are distributed on a competitive basis in which local units of government vie for funding through an application process. Any residents who earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

The third program offered by DCA that allows for replacement housing is Revitalization Strategies. These grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum. Any residents who earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

Expected Units and Funding

The Division of Community Assistance expects to rehabilitate or replace over 1,900 substandard dwelling units from 2006-2010. Of these, 240 replacement units for dilapidated housing are expected to be provided using $14.6 million to owner-occupied households in the medium priority category.

Refinancing

Objective: The State has no goal regarding refinancing.

Population & Need

In North Carolina there are 317,000 low-income homeowners that pay more than 30 percent of their income for housing; nearly 195,000 percent of them earn less than 50 percent of MFI. Many of these homeowners could benefit from the refinancing of their mortgages. If all of the population that could or should be refinanced were to be, there would be a reduction in the amount of homeowners that are cost-burdened and severely cost-burdened. A certain portion of this population have not taken advantage of today’s low rates because they do not know how to go through the refinancing process, or do not understand what the benefits of refinancing can be. Another portion of this population are victims of predatory lenders and may face high pre-payment penalties if they attempt to refinance.

How Activity Meets Need

By refinancing mortgages to a lower interest rate, people would be able to lower their overall payments, and in turn, decrease the portion of their income spent on housing. Or, the borrower could elect to refinance in a way that leaves their payments the same, but creates cash for them to pay down other debts, make home, repairs, finance education, etc.

Obstacles to Meeting Need With This Activity

At this time there are no state sponsored or subsidized programs to meet this need, nor are there plans to create such programs. While there is no plan to do so, the first step in formulating a program to meet this need would be to study the scope of the need and how to meet it.

Summary of Existing Programs

At this time there are no state sponsored or subsidized refinancing programs for homeowners.

Expected Units and Funding

Although refinancing is a strategy that could meet the need for some of North Carolina's cost-burdened homeowners, the state is not pursuing this activity. The agencies contributing to this strategic plan have chosen to use the available funding for other strategies to meet needs.

Residential Water/Sewer Infrastructure

Objective: Provide approximately 215 medium priority households with new water and/or wastewater services living in areas with no public water or wastewater lines using approximately $8.8 million in CDBG funds. Allow for an additional 400 households to receive hook-ups to public water and/or wastewater lines using $1.2 million in CDBG funds and for repair of on-site well and/or septic systems for 130 households using $650,000 in CDBG funds from the Division of Community Assistance.

Population & Need

One of the most pressing problems facing homeowners below 50 percent of area median income in rural areas of North Carolina is the lack of clean water and proper wastewater facilities. A significant number of household on-site wastewater treatment devices installed in previous decades have begun to fail across the state. The issuance of effluent into streams or seepage to the surface from failed septic tanks becomes an environmental as well as a public health issue. Groundwater contamination from poor on-site wastewater systems can affect drinking water supplies for many rural residents that depend on wells for their water supply.

Access to safe drinking water is vital for rural residents, most of whom do not have access to public water supplies and must depend on wells. When groundwater is threatened, either due to contamination, low levels, or drought, very low-income households lacks the ability to adjust without significant financial burden. The ability of residents to remain in their homes is jeopardized when it is unhealthy for them to do so due to failed septic systems or contaminated or low levels of groundwater.

<u>How Activity Meets Need</u>

Though not seen in the past as a direct housing activity, the provision of water and/or sewer infrastructure to rural areas is essential to improving the lives of North Carolina's low-income homeowners and allowing them to remain in their homes. This activity is considered a high priority in areas where poor water quality or failing on-site wastewater systems become a danger to public health. In many areas of our state, resident's homes have been threatened by lack of access to safe drinking water. Due to either contamination or low supply, many residents must contemplate abandoning a home that is structurally sound because it is unsafe due to lack of access to clean and safe water. Furthermore, due to the low-income status of these residents, use of bottled water is an undue financial burden.

Poor water quality is often the result of improper wastewater treatment. Failed septic systems and poor soils lead to groundwater contamination. This is becoming especially prevalent in rural mobile home parks, particularly those where a common drain field is utilized. In many places across the state, residents continue to "straight pipe" that is, directly discharge untreated sewage and wastewater into streams or onto the ground surface. This leads to surface water contamination and is a public health and environmental risk not only for the immediate community but also any others farther downstream. Identifying households that are straight piping and preventing unsanitary discharge with proper on-site wastewater facilities is vital to remove public health concerns and ensure that the communities housing stock is not abandoned or threatened due to such actions.

<u>Obstacles to Meeting Need With This Activity</u>

The greatest need for provision of public water and wastewater services is in the western part of the state. However, the topography in the foothills and mountains make public service prohibitively expensive for most communities. Poor soils in other parts of the state, particularly the piedmont where much of the soil has significant amounts of clay, make the provision of traditional on-site wastewater systems problematic.

<u>Summary of Existing Programs</u>

The Division of Community Assistance operates three programs designed to address water and wastewater infrastructure needs. The Infrastructure program provides water and/or wastewater lines to existing residential areas that previously had no public service, provided the majority of the population meets LMI qualifications. The Infrastructure Hook-Up program provides funds to allow local governments to hook residents up to water and/or wastewater lines that are pre-existing near the resident's homes, but the residents have not been able to afford hook-up costs or tap fees. The

Scattered Site Housing category will address the needs of households with on-site water or wastewater treatment systems by allowing counties to identify such households experiencing problems with their well and/or septic systems and providing funds to repair or install new systems.

In addition, there are two categories of funding from DCA using CDBG funds that can treat residential water and/or wastewater problems. Both the Concentrated Needs and Revitalization Strategies categories allow for, and usually address, households that do not have access to public water and/or sewer by installing new lines or hooking dwelling up to existing lines.

Expected Units and Funding

The Division of Community Assistance expects to use approximately $8.8 million in CDBG funds to provide 215 medium priority households over the next five years receive new public water and/or wastewater services. In addition, DCA expects to provide 400 medium priority households with hook-up service to existing water and/or wastewater lines using approximately $1.2 million and help 130 households repair well and/or septic systems using $650,000 of CDBG funds.

LOW PRIORITY RENTERS

Low priority renters are defined by the Consolidated Plan partners as those living in urban areas earning between 51 and 80 percent of MFI and those living in rural areas earning between 61 and 80 percent of MFI. These residents are often those that could afford the monthly payments and maintenance for homeownership, but either cannot afford the initial costs to purchase a home or cannot locate a home affordable to their income range. Housing conditions continue to be an issue for people in this income range, though not as severe.

Activities to address the needs of low priority renters include:

- ❖ Financing of New Construction
- ❖ Financing of Rental Rehabilitation

Financing of New Construction

Objective: Finance the development of 1,865 new rental units affordable to low-priority renter households.

Population & Need

There are nearly 57,000 renter households earning between 50 and 80 percent of AMI in North Carolina that have housing problems (rent-burdened, lacking adequate plumbing, inadequate kitchens, and or overcrowding).

Many urban dwellers depend on rental housing due to high land costs. This is especially true for our state's low-income residents (defined as those between 50 and 80 percent of median family income). In urban areas, cost is the most prohibitive factor-keeping people out of safe, decent, and sanitary housing. For the units that were vacant-for-rent in 2000, in the metropolitan counties, the rents asked were higher than in the micropolitan and rural counties. These rents were often well above the affordability levels for those of extremely low income.

Rural areas are in desperate need for rental housing stock. While urban areas may have a healthy supply of rental housing, these types of developments are scarce in the state's rural areas. Renters in rural areas are often required to rent older homes in poor condition due to a lack of new rental housing.

Both quantitative and qualitative data describe a situation where the rental housing stock across the state is poor, especially for those residents in the lowest income brackets. North Carolina is estimated to have 71,368 rental-housing units with a moderate condition problem and 33,256 with a severe condition problem. Consultations with local housing providers in urban areas state that even where housing does exist for extremely low-income residents, the quality is generally very poor.

How Activity Meets Need

One of the major obstacles to provision of proper housing for extremely low-income individuals and families is that safe, decent, and sanitary housing cannot be made available to such persons without significant financial subsidy.

The primary benefit of the development of new affordable rental units is that more units are available in the market. These units provide alternatives to the substandard units currently available for the lowest-income households. They also provide competition for the rental units already available, which brings down the price for the existing units.

Obstacles to Meeting Need With This Activity

Land and development costs are almost always higher in urban areas than they are in rural places. These inflated costs make provision of housing for extremely low income residents relatively expensive. Development has been getting noticeably more expensive since 1992. In 2004 dollars, the value per unit (measured at the point of permitting) of multi-family housing in North Carolina averaged $62,900. This is 80.5 percent of the average costs of all the states in the South ($78,100). Cost burden will continue to be the greatest obstacle to provision of housing as these high costs are passed down to the consumer. According to the National Low Income Housing Coalition's 2003 Out of Reach Report, 41 percent of North Carolina's renter households (over 393,000 households) were unable to afford a two-bedroom apartment at the Fair Market Rent (FMR) in 2003.

In our non-metropolitan areas there is a real need to produce new high quality units. Many of the towns have not seen any significant new construction in many decades. Most of the rental housing is old and substandard, or in many cases exclusively mobile homes. The FMR rents are based on phone assessments of these units and therefore do not reflect new properties. The rents generated from the studies are not adequate to support the construction of new units. Not only has this already been a problem, but HUD will actually reduce the FMRs in many areas based on the surveys in the future. For a project that is HOME financed this means that they must reduce rents. A project in this position may not be able to meet its debt burden and face foreclosure.

A primary obstacle for constructing affordable housing in rural areas is the HOME Fair Market Rent (FMR) requirement. North Carolina is mostly a rural state with few metropolitan areas and low FMRs. When HUD thinks of FMRs they are usually considering New York, Boston, Chicago or other high rent areas, not North Carolina. From the federal perspective, any change for the benefit of rural states would create problems in these cities. The result is that North Carolina and other rural states with low FMRs can't properly use HOME funds.

In rural areas, when feasible financing for new rental construction is available, often the most affordable land is on the outskirts of urbanized areas, far from services such as public transit and day care that are necessary for low-income families. This locational displacement serves as an additional burden to very low-income households, who must spend precious time and money (either through the purchase of an automobile and all of its associated costs or arranging private transportation) to access jobs and services.

Units produced by 100 percent HOME financing require that all of the units follow the HOME rules. All unit rents must be restricted to the FMRs, which often are at or below $400 per month. With these very low rents the units struggle to meet operating costs (even if the HOME funds are loaned without repayment terms), and cannot bear any cost spikes that may occur in an operating cost, such as a property tax increase. When a project is built with HOME it is usually very close to the FMR from the very beginning. FMRs historically increase at no more than 1.5 percent per year. If the project needs a two percent increase to meet costs, the HOME program will not allow it. The current process for getting a waiver from HUD is complicated, time consuming and requires that the project practically default before being considered. If a project does foreclose NCHFA may be forced to repay all of the HOME funds.

Since HOME cannot be used for operating or replacement reserves the projects begin without sufficient long-term capital. Adequate reserves are a basic rule of real estate development.

One way to create the necessary reserves is to provide equity to the project from tax credits. Not only can the equity be used for reserves, but it creates no debt. When combining the credit equity with HOME you have the ability to produce a project with no debt at all. This is a very desirable outcome and a way to leverage HOME funds.

The problem is that tax credit investors are not willing to invest in projects that cannot raise rents normally (again, only 1.5 percent per year with the possibility of being decreased). Using typical real estate development models the rent restrictions of the HOME program cause the projects to fail in a few years. This probable result eliminates investor interest.

An additional obstacle to affordable home construction has been the dramatic rise in the cost of building materials in recent years. Without substantial increases in subsidies for new home or rental unit construction, those increased costs must unfortunately be passed down to the buyer or renter. By doing so, some households may possibly be pushed out of a market for improved housing that otherwise would have been able to afford an improved quality of life.

Developers seeking to build multifamily housing often face “not in my backyard” (NIMBY) concerns, even when the units will be for-sale condominiums. These concerns are heightened for affordable rental housing. Usually between three and five of the tax credit proposals received each year by the NC Housing Finance Agency and the Division of Community Assistance fail to receive land use approvals for what may be NIMBY reactions from neighbors. The North Carolina Housing Coalition is currently investigating the occurrence of NIMBY fights across the state to determine ways to best approach these political standoffs and still ensure that safe, decent, and sanitary housing for our state’s poorest residents is achieved.

Summary of Existing Programs

The NCHFA expects to allocate federal and state low-income housing tax credits to between 2,500 and 3,000 units per year over the next five years, for a total of approximately 15,000 units. Of these units, approximately 1,850 will be new construction for low-priority households, with development costs of approximately $148 million. The NCHFA will award state and federal tax credits resulting in approximately $94 million in equity. It will also provide approximately $5.5 million in HOME and $1.2 million in HTF and other State funding, for 300 of these units.

The Rental Production Program provides affordable rental housing for low-income families throughout the state. Through RPP loans, NCHFA provides long-term financing for rental developments that serve families earning 60% or less of the area median income. The loans are funded either from N.C. Housing Trust Fund or the HOME program and are awarded through an annual competitive cycle.

Federal low-income housing tax credits now finance a substantial portion of the new affordable rental housing being built in the United States. LIHTC rental properties are privately owned and privately managed. In exchange for the funding provided through the tax credit, owners agree to keep rents affordable to households with incomes at or below 60% of the local median income for a period of 30 years.

The owners are eligible to take a tax credit equal to 9 percent of the "Qualified Cost" of building or rehabilitating the property (excluding land, certain soft costs, and costs financed by other federal government subsidies). The tax credit is available each year for 10 years, as long as the property continues to operate in compliance with program regulations.

Equity from the sale of tax credits reduces the amount of debt financing required, which reduces the monthly debt service for the property, thereby making it economically feasible to operate the property at below-market rents. Residents are responsible for their own rent payments, unless rent subsidies are available from other programs.

Tax-exempt bonds and the corresponding 4 percent tax credits operate in a very similar fashion to 9 percent tax credits. The main difference is that the tax-exempt bonds have a reduced interest rate and have to finance at least 50 percent of the project costs. This requirement means a greater debt service burden than applies to most 9 percent properties.

The Division of Community Assistance utilizes Community Development Block Grant (CDBG) funds for new construction by funding the required infrastructure for new development. There are a number of different program requirements based upon the type of housing to be constructed.
For multi-family projects targeted to residents who, for one reason or another, will continue to rent, DCA will provide for installation of public infrastructure (water and sewer lines are automatically eligible for funding; streets, sidewalks and drainage may be funded on a case by case basis), the removal of hazardous material, acquisition of vacant land (by an eligible nonprofit) or vacant ***historic*** buildings (by an eligible nonprofit or for-profit developer), and certain rehabilitation activities (on a case-by-case basis).

<u>Expected Units and Funding</u>

The NCHFA expects to allocate federal and state low-income housing tax credits to between 2,500 and 3,000 units per year over the next five years, for a total of approximately 15,000 units. Of these units, approximately 1,830 will be new construction for low-priority households, with development costs of approximately $145.6 million. The NCHFA will award state and federal tax credits resulting in approximately $93.8 million in equity. For 230 of these units, funding will also be provided by $4 million in HOME funds and $1.35 million in HTF and other State funding.

A portion of the units that will be created through Low Income Housing Tax Credits will also be supported by additional funding from the Community Development Block Grant program. Approximately 15 of these tax-credit units for low priority renters will receive CDBG funds from the Division of Community Assistance. DCA will provide up to $2 million each year for new housing construction through its Housing Development program. Approximately half of these funds are expected to be dedicated to new rental developments. DCA expects to create approximately 35 new rental units (15 of which will be in conjunction with tax credit projects, as mentioned above) using $200,000 for high priority households over the next five years.

Financing of Rental Rehabilitation

Goal: Finance rehabilitation of 635 units for low-priority renter households using approximately $200,000 in HOME funds, $31.3 million in state and federal tax credit equity, and $375,000 in CDBG funds.

Population & Need

Local governments and housing nonprofits across the state attest that, although data about rental housing rehabilitation needs is scarce, there is a sizable need for this activity. According to estimates based on American Housing Survey data, more than 100,000 renter households have moderate or severe condition problems (including nearly 15,000 with heating problems). It is not known how many of these households are in the high priority renter category, but according to census data more than 74,400 households earning between 50 and 80 percent of MFI have unaffordable or inadequate housing.

How Activity Meets Need

Comprehensive rehabilitation will result in higher quality rental housing. It will update the affected housing units with modern fixtures and amenities. The rehabilitation of rental housing also decreases the environmental health hazards frequently experienced by low-income households in substandard housing.

Obstacles to Meeting Need With This Activity

Surprisingly, lack of resources is not a major difficulty. Between HOME, CDBG, tax credits and tax-exempt bonds, the state has well over $100 million available. Unfortunately the latter two of these sources are not feasible for smaller efforts. The transaction costs (legal and accounting) are prohibitive unless the overall budget is several million dollars. For example, governments will not issue tax-exempt bonds for less than $5 million, which rules out it use for most projects with less than 100 units. CDBG funds, while eligible for rental rehabilitation under the state's Small Cities program, are not widely used. In previous years property owners have seen the recapture period as unwieldy, and many owners are reluctant to agree to meet low-income rental requirements for the recapture period. Currently, CDBG Small Cities funds are targeted predominantly to homeowners earning below 50 percent of area median income.

Another obstacle is the "exit tax" problem. Conducting a rehabilitation project almost always requires a transfer of the real estate, which triggers an income tax event for the seller. The resulting federal and state liability can be prohibited. Another option for an individual owner is to "activate their estate" (die), in which case the capital gains tax is effectively eliminated. Therefore the economically rational choice is to not undertake a rehabilitation effort until after the owner passes away.

Another challenge are the various environmental, Uniform Relocation Act and lead-based paint regulations. Each creates substantial complications and additional costs, leading many developers to conclude that a federally financed rehabilitation is simply not worth the effort. The value of these rules in the context of rental rehabilitations is not clearly evident; it may be a wise policy decision for HUD to eliminate the application of these regulations to multi-family rehabilitation efforts.

<u>Summary of Existing Programs</u>

There is a set-aside of nine percent of each year's LIHTC allocation for rehabilitation. This competitive program gives priority to the state's most distressed housing and discourages applications that primarily subsidize ownership transfer. Tax-exempt bonds and the corresponding 4 percent of LIHTCs are readily available to fund rehabilitation but are only cost-effective for very large developments.

The North Carolina Division of Community Assistance addresses comprehensive housing rehabilitation through two programs. The Concentrated Needs program primarily addresses housing needs, and it is through this program that most rental rehabilitation takes place under CDBG. In this program concentrated areas of at least six homes can have their housing needs addressed through either rehabilitation of the dwelling or a replacement of a dilapidated dwelling unit. The funds for this program are distributed on a competitive basis in which local units of government must vie for funding through an application process. Any residents that earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

The second program offered by DCA that allows for housing rehabilitation and replacement is Revitalization Strategies. These grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum. Any residents that earn

80 percent or below of median family income and live in the target area are eligible for housing rehabilitation.

NCHFA created the Preservation Loan Program for this activity and will utilize HOME funds. The first awards will be in 2005, but the continuing duration of the program is unknown. Funds will be used for rehabilitation costs for multifamily housing that is not able to utilize other resources; developer fees, soft costs and ownership transfers are not eligible. Refinancing will be a possibility in some circumstances.

Expected Units and Funding

A conservative estimate is that NCHFA will use $736,000 in HOME funding to finance rehabilitation affecting 360 households over the five-year period through the Preservation Loan Program. It is estimated that none of these households will fall into the low priority renter category. The NCHFA expects to allocate federal and state low-income housing tax credits to between 2,500 and 3,000 units per year over the next five years, for a total of approximately 15,000 units. Of these units, approximately 620 will be rehabilitation for low-priority households, with development costs of approximately $49 million. The NCHFA will award state and federal tax credits resulting in approximately $31.3 million in equity. It will also provide approximately $200,000 in HOME for 25 of the units.

The Division of Community Assistance expects to rehabilitate or replace over 1,900 substandard dwelling units from 2006-2010. A large majority of these units will be owner-occupied, so the Division does not plan for its share of rental rehabilitation to be as large. Therefore, the Division estimates that over the next five years approximately 15 rental units will rehabilitated to proper standards for renters in the low priority category using $375,000 in CDBG funds.

HOME BUYERS

The home buyers that the Consolidated Plan partners plan to assist are those that earn between 30 and 80 percent of the area's median family income, and whose needs are not met by the private housing market. These households often could manage the monthly payments and maintenance for homeownership, but either cannot afford the initial costs to purchase a home or cannot locate a home affordable to their income range. Assistance to these residents will be primarily through financial and educational services.

Activities to address the needs of home buyers include:

- Individual Development Accounts
- First and Second Mortgages
- Down payment Assistance
- Sweat-equity Down payment Assistance
- Financing of New Construction

Individual Development Accounts

Goal: Work with local governments and nonprofits to assist 600 rental households in purchasing their first home and achieving increased financial literacy with $1 million in CDBG funds and $7.75 million in HOME funds.

Population & Need

Many of North Carolina's working poor earn enough income to pay a mortgage, homeowner's insurance, taxes, and other requirements of homeownership, yet lack means to pay down payment and closing costs. Movement of this population into homeownership allows these families to create wealth through asset building.

In order to purchase a home a household must have saved a certain amount of money to use as a down payment; although lenders no longer require 20% of the purchase price as a down payment, most public and private products require some down payment. For low-income households, saving the down payment amount is a major barrier to purchasing a home.

Being a homeowner requires a certain amount of financial savvy and budgeting skill. Many low-income households do not have the financial understanding to purchase homes, or the money management skills to maintain homeownership.

How Activity Meets Need

Individual Development Accounts are matched-savings programs, wherein low-income households who save funds toward down payments receive granted funds to match the amounts that the households save. The amount of granted funds varies from IDA program to IDA. These matching grants help the households afford the down payments and closing costs for purchasing homes.

IDA programs very commonly also have a counseling component. This counseling helps the households develop savings habits, learn money management skills and financial literacy, and learn about the process of purchasing a home and the demands of maintaining it so that participants are better prepared to navigate the industry once they have saved enough for a down payment.

There are IDA programs that focus on other asset building strategies aside from homeownership, particularly small business development and higher education. The Division of Community Assistance is currently investigating the feasibility of offering funding for such programs. This is discussed in further detail in the Community Development Strategies section of this plan.

<u>Obstacles to Meeting Need With This Activity</u>

For many low-income households, saving funds for a down payment, even with the matching funds from the IDA program, takes a very long time; it is common for households to be saving in IDA programs for more than two years before having enough saved for a down payment.

Federal funds often constitute the "match" provided by IDA programs, and with those funds come certain income requirements, some of which are hindrances to successful IDA programs. Some funding sources require the participating households to have incomes so low that the households are really not viable candidates for homeownership. Once the homes are purchased the new homeowners are at high risk of being unable to afford maintenance on the home. The fact that different funding sources have different income requirements is also a problem; it makes the programs very difficult to administer, because whenever the administrator gets access to a different source of funds it must redesign the program to target only the population at the income level required for the new funds.

Other federal requirements and variations also make the programs difficult to administer (and, hence, less able to help households become homeowners). Even funding from different cycles of the same federal program have different programmatic requirements; these variations make the programs extremely onerous to administer. The amount of the match required is one such issue. Some federal sources require that the administering agency find a $1 match from a nonfederal source for each dollar saved, and other sources require more than a $1 match.

Successful IDA programs depend on well-established partnerships that can provide all of the necessary services. Such partnerships include organizations that in the past may not have worked together, such as financial institutions, credit counselors, and advocates for the working poor. Often it is necessary to invest time and effort in creating collaboration among these formerly competing entities before embarking on an IDA program.

An IDA program does not guarantee success in the purchase of a home. If homes are not available in a price range that households earning between 30 and 80 percent of MFI can afford, families will have met their savings goals but will not be able to realize the dream of homeownership. Therefore, in many rural areas where a safe, decent, and sanitary affordable housing stock is not in existence, an IDA program will need to be partnered with some other program that addresses the supply side of affordable housing.

<u>Summary of Existing Programs</u>

DCA's IDA program uses CDBG funds to support nonprofit and governmental entities that provide essential services in support of IDA programs. These services include credit counseling, housing counseling, financial literacy classes, and homeowner education classes. Furthermore, DCA matches participant savings up to $1,000, provided that there is a locally obtained second match for the participant. These funds are then used to purchase a family's first home.

The NCHFA will provide an IDA program in which the recipients receive a $1000 match after they have saved $1000 on their own. Additionally, borrowers are eligible for zero-interest second mortgages of up to $20,000, if they are in need of gap financing.

<u>Expected Units and Funding</u>

The Division of Community Assistance expects to provide up to $1 million between 2006 and 2010 to assist 400 households purchase their first home. These funds will allow local governments, nonprofits, and financial institutions to build partnerships and provide services that are instrumental in ensuring that these new homeowners are equipped with the tools necessary to successfully manage their own home. These services include housing and credit counseling, and financial literacy and homeowner education classes.

NCHFA expects to use Individual Development Accounts to enable 400 households to become homeowners; it expects to accomplish this with $7.75 million in HOME funds.

DCA and NCHFA are working together to partner as much as possible with their IDA programs. For this reason, many of the households assisted through the IDA programs of both agencies will be the same households. In order to avoid double counting (since it is expected that 200 of those households that receive IDA funding will receive it from both agencies), the agencies expect a total of 600 households to be assisted through the IDA programs.

First and Second Mortgages

Goal: NCHFA will assist 370 new homeowners with Rural Opportunity Mortgage Program first mortgages, using $18.4 million in HOME funds.

NCHFA will enable 1,210 households to buy homes through its New Homes Loan Pool and its Self Help Loan Pool, using $24.2 million in HOME.

<u>Population & Need</u>

A mortgage is considered affordable if the borrower pays less than 30% of his or her monthly income for housing. Two factors in the monthly mortgage amount are the amount of the principal borrowed and the interest rate on the loan. Many low-income homes have credit histories that disqualify them from prime interest rates (the rates offered to borrowers with steady incomes and impeccable use of credit) in the mainstream market. Housing prices are unaffordable and high in many areas of the state; in many areas development costs are high enough that newly-developed homes cannot be sold at prices affordable to low-income home buyers, and competition for previously-existing housing is intense, which drives the prices of existing homes out of the affordable range as well.

How Activity Meets Need

Affordable first mortgage products (also called primary mortgage products) and second mortgage products make home buying more affordable by lowering the borrower's monthly payment. Sometimes this is by lowering the overall amount that the borrower must repay (this is the effect of lower interest rates). Other times it is by spreading the total repayment out over a longer period of time (with less repaid each month).

There are two methods by which first mortgages make home buying more affordable: longer terms and lower interest rates. There are many variations of second mortgage products: lower interest rates, delayed interest payments (until the principal is repaid), deferred repayment until the primary mortgage has been repaid, and other unique terms.

Obstacles to Meeting Need With This Activity

One limitation on making home buying more affordable is availability of loans with below-market interest rates; some CRA (Community Reinvestment Act) products from mainstream lenders offer below-market interest rates, and some government bodies also have low-interest products.

Another limitation is the lack of knowledge among potential low-income home buyers about the products that are available and their unique terms.

Summary of Existing Programs

The North Carolina Housing Finance Agency has several first mortgage programs. One product provides below-market interest rates, and is funded by mortgage revenue bonds. Usually the interest rates are one point below the prime rate. The Self Help Loan pool provides first mortgages of up to $20,000 to home-buyers working with Habitat for Humanity; the remaining amount of their first mortgage is funded by Habitat. The Rural Opportunities Mortgage program (in conjunction with USDA's Rural Development 502 Loans) offers up to $50,000 as a first mortgage; this program also allows funding of a construction to permanent loan, so residents can construct a new dwelling through the program.

NCHFA also offers second mortgage through the New Homes Loan Pool. In this program borrowers of homes developed by approved developers have access to zero-interest deferred financing of up to $20,000.

Expected Units and Funding

In 2006-2010 the North Carolina Housing Finance Agency will assist 370 new homeowners with Rural Opportunity Mortgage Program first mortgages, using $18.4 million in HOME funds. It will assist 550 new home buyers through the Self Help Loan Pool, using $11 million in HOME funds. It will assist 660 new home buyers through the New Homes Loan Pool using $13.2 million in HOME funds.

The NCHFA also has Mortgage Revenue Bond financing and the Mortgage Credit Certificate program with which it can assist low- and moderate-income homebuyers; because the NCHFA has no discretion about the use of those funds (they must be used solely for homeownership), it will not include these funds or the expected households to be assisted in its objectives.

Down Payment Assistance

Goal: Assist 910 households purchase their first home through down payment assistance through American Dream Down Payment Initiative, HOME, and CDBG funds.

Population & Need

Many of North Carolina's working poor earn enough income to pay a mortgage, homeowner's insurance, taxes, and other requirements of homeownership, yet lack means to pay down payment and closing costs. Movement of this population into homeownership allows these families to create wealth through asset building.

How Activity Meets Need

Down payment assistance programs provide potential home buyers with funds to use toward a down payment. This helps the household overcome the hurdle of inadequate savings, and purchase homes. There are various ways that these programs can provide the assistance: as grants, as deferred loans, as interest-free loans, as low-interest loans, or as a combination of those types of financing, with or without accompanying liens. Down payment assistance alone will not enable every potential homeowner to purchase a home, but for some homeowners it is sufficient. It can also be paired with other types of assistance to enable a larger subset of the 30% to 80% MFI renters to become homeowners.

One feature of down payments is that they lower the amount of the cost of the home which must be financed through a first mortgage. The self-help model, utilized by Habitat for Humanity, relies upon "sweat equity" to lower the amount of the cost which must be financed (similarly to a down payment); in the self-help model the donated construction labor subsidizes the cost of the home, leaving a lower amount to be financed by the borrower.

Obstacles to Meeting Need With This Activity

Until recently, very little money was provided for down payment assistance activities. HUD recently designated a portion of the HOME funds it allocated to participating jurisdictions as ADDI funds (American Dream Down payment Initiative funds) specifically for use as down payment assistance.

With funding for down payment assistance now greatly increased, the major obstacle now facing many down payment assistance programs is organizational capacity and the ability to market these programs so they can prepare future homeowners for the responsibilities of homeownership. For some participating jurisdictions, developing a program to administer these funds is difficult, because they did not have a down payment assistance program prior to receiving the ADDI funds. Another obstacle is lack of knowledge by the home buyers: frequently down payment assistance is provided in conjunction with other public mortgage financing, and the buyer does not know of its existence unless he or she is already pursuing the other public financing.

For many households, down payment assistance alone will not enable them to purchase a home, but for some homeowners it is sufficient. However, down payment assistance programs can be paired with other types of assistance to enable a larger subset of the population earning between 30 and 80 percent of MFI renters to become homeowners.

Down payment assistance does not guarantee success in the purchase of a home. If homes are not available in a price range that households earning between 30 and 80 percent of MFI can afford, families will have met individual goals but will not be able to realize the dream of homeownership. Therefore, in many rural areas where the affordable housing stock is inadequate, an IDA program will need to be partnered with some other program that addresses the supply side of affordable housing.

Many federal funding sources for down payment assistance require the participating households to have incomes so low that the households are really not viable candidates for homeownership. Once the homes are purchased the new homeowners are at high risk of being unable to afford the mortgage or maintenance of the home. Potential participants in these programs must be screened carefully to determine their viability for successful homeownership.

Summary of Existing Programs

Down payment assistance qualifies as a housing activity in this category. Any resident who is earning 80 percent or below of median family income and living in the target area and is a first-time home buyer is eligible to participate in the down payment assistance programs.

The North Carolina Housing Finance Agency provides the Statewide Down payment Assistance Program (DAP), which it finances with ADDI funds from HUD. With DAP, up to $7,000 in zero-interest deferred-payment loans to borrowers are made using one of NCHFA's first mortgage loan products.

Down payment assistance is currently offered by some CDBG grantees within the Revitalization Strategies category. Revitalization Strategies grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum.

Expected Units and Funding

Between 2006 and 2010 NCHFA expects to use $6,300,000 in ADDI and HOME funds to provide down payment assistance enabling 900 households to become homeowners.

DCA utilizes its IDA program as its main source of down payment assistance; the number of households receiving down payment assistance from CDBG funds outside of the IDA program is not large. Only three of the current ten grantees in the Revitalization Strategies program have earmarked funds for down payment assistance, and those are used on a very minimal basis. No other DCA programs have used the down payment assistance activity to help homebuyers. Based upon this trend, DCA expects to fund no more than 10 households through up to $10,000 in CDBG funds for down payment assistance from 2006-2010.

Financing of New Construction

Goal: Provide related infrastructure for the construction 175 new homes from 2006-2010 using $3.15 million in CDBG funds from the North Carolina Division of Community Assistance.

Population & Need

The realization of homeownership is for many a defining part of the American dream. Unfortunately, the supply of new homes built that are affordable to low-to-moderate income households does not meet the demand. Rural areas our state are in particular need for affordable for homeownership.

Another reason for excessive demand for homes for purchase among low-to-moderate income households in rural areas is the poor quality of rental housing. Both quantitative and qualitative data describe a situation where the rental housing stock across the state is poor, especially for those residents in the lowest income brackets. North Carolina is estimated to have 71,368 rental-housing units with a moderate condition problem and 33,256 with a severe condition problem. Consultations with local housing providers in urban areas state that even where housing does exist for extremely low-income residents, the quality is generally very poor.

How Activity Meets Need

One of the major obstacles to provision of proper housing for low-to-moderate income individuals and families is that safe, decent, and sanitary housing cannot be made available to such persons without significant financial subsidy. The primary benefit of the development of new housing units for homeownership is that more units are available in the market in order to meet pent up demand.

Obstacles to Meeting Need With This Activity

Land and development costs are almost always higher in urban areas than they are in rural places. These inflated costs make provision of housing for extremely low income residents relatively expensive. Cost burdening will continue to be the greatest obstacle to provision of housing as these high costs are passed down to the consumer.

In rural areas, when feasible financing for new construction is available, often the most affordable land is on the outskirts of urbanized areas, far from services such as public transit and day care that are necessary for low-income families. This locational displacement serves as an additional burden to very low-income households, who must spend precious time and money (either through the purchase of an automobile and all of its associated costs or arranging private transportation) to access jobs and services.

An additional obstacle to affordable home construction has been the dramatic rise in the cost of building materials in recent years. Without substantial increases in subsidies for new home or rental unit construction, those increased costs must unfortunately be passed down to the buyer or renter. By doing so, some households may possibly be pushed out of a market for improved housing that otherwise would have been able to afford an improved quality of life.

Developers seeking to build workforce housing for low-to-moderate income residents often face "not in my backyard" (NIMBY) concerns. The North Carolina Housing Coalition is currently investigating the occurrence of NIMBY fights across the state to determine ways to best approach these political standoffs and still ensure that safe, decent, and sanitary housing for our state's low-to-moderate residents is achieved.

Summary of Existing Programs

The Division of Community Assistance (DCA) utilizes Community Development Block Grant (CDBG) funds for new construction by funding the required infrastructure (water and wastewater lines, streets, sidewalks, and drainage), acquisition of land, or removal of hazardous material for new development. DCA allows for up to $18,000 per unit, maximum of $250,000 per project, of CDBG funds to be used towards these activities.

Expected Units and Funding

The Division of Community Assistance aims to provide at least $2 million each year for new housing construction through its Housing Development program. In past years, between 35 and 45 percent of these funds have been dedicated to projects aimed at creating new housing units for homeownership. Based on this trend, DCA expects to create approximately 175 new housing units for homeownership over the next five years using $3.15 million in CDBG funds.

LOW PRIORITY HOMEOWNERS

Low priority homeowners are defined by the Consolidated Plan partners as those earning from 51-80 percent of the area's median area income. Though these homeowners may have issues with cost burdening, overcrowding, or a housing condition, it is generally at a less severe level and at a lower rate than those in the high and medium priority categories. The main strategies to address the needs of this population will be through efforts to improve the current housing stock and refinancing efforts to improve homeowner's financial solvency and ability to remain in their homes.

Activities to address the needs of low priority homeowners include:

- Comprehensive Rehabilitation
- Refinancing
- Residential Water/Sewer Infrastructure

Comprehensive Rehabilitation

Goal: Rehabilitate 170 homes for low priority homeowners, utilizing $2.1 million in HOME funds, $1.58 million in Duke HELP funds, and $225,000 in CDBG funds.

Population & Need

Data show that housing condition problems are great, but the state does not know what percent of the affected households would be better served with replacement housing than rehabilitation, or what percents fall into high, medium, or low priority categories. Because of this, similar or identical discussions appear in several places in this document.

According to the 2000 Census, 6,110 owner-occupied housing units in North Carolina lacked complete kitchen facilities and 9,484 owner-occupied units lacked complete plumbing facilities. Estimates based on American Housing Survey data indicate 20,000 housing units in North Carolina have a severe pluming problem. Estimates based on the same survey data indicate that there are 60,000 owner-occupied housing units with a moderate condition problem, and 28,500 with a severe condition problem. Estimates regarding moderate and severe heating problems are particularly concerning: approximately 36,000 owners live in conditions resulting in difficulty heating their homes and an estimated 6,600 do not have heat. Problems in plumbing, heating and upkeep of the home are the most prevalent.

As life expectancies have increased, the proportion of North Carolina's population that is elderly has risen. Elderly homeowners are more likely to live in older homes where, due to income limitations and/or the death of a spouse, many are unable to afford regular maintenance necessary for their homes to remain safe.

Elderly rural residents of extreme or very low income face particular challenges. Unlike their urban counterparts, transportation is difficult because of the lack of public transportation. Because of this, these residents must hire private services, depend on friends or family, or spend a disproportionate amount of their income on an automobile is an extra burden, further depleting funds that might be used for home maintenance and repair.

How Activity Meets Need

Housing rehabilitation will be a central strategy for addressing the housing needs of elderly homeowners with incomes less than 50 percent of AMI. Comprehensive rehabilitation, maintenance and weatherization result in lower energy costs, thus increasing the long-term affordability of their housing. Comprehensive rehabilitation, maintenance, weatherization and installation of assistive devices (ramps, rails, grab bars) is a cost effective way to help seniors to remain in their homes and prevent premature institutionalization.

Obstacles to Meeting Need With This Activity

With limited resources and the rising costs of housing rehabilitation, all of the housing condition problems with units owned and occupied by households with incomes less than 80 percent AMI cannot be met. Additionally, the lack of specific statewide data on housing conditions and an inadequate housing delivery system for rehabilitation pose obstacles.

In recent years the cost of comprehensive rehabilitation of dwelling units has increased dramatically. The rising cost of building materials, stricter regulatory requirements (such as lead based paint abatement), and increased competition for contractors (due to the state's growing population) have led to these skyrocketing costs.

Summary of Existing Programs

The North Carolina Housing Finance Agency's Single-Family Rehabilitation Program provides up to $40,000 in the form of deferred forgiven loans for the comprehensive rehabilitation of housing units owned and occupied by households with incomes less than 80 percent of AMI.

The North Carolina Housing Finance Agency administers Duke HELP funds. This program provides funds to Duke Power customers whose incomes are below 80% of area median. Assistance is channeled through local governments, nonprofit organizations, and regional councils. Duke HELP can be only used for energy-efficient measures to owner-occupied housing and must be matched with other funds to comprehensively rehabilitate all units assisted.

The North Carolina Division of Community Assistance addresses comprehensive housing rehabilitation for Low Priority homeowners through two programs.

The first program that DCA utilizes to address housing rehabilitation and replacement activities is Concentrated Needs. In this program concentrated areas of at least six homes can have their housing needs addressed through either rehabilitation of the dwelling or a replacement of a dilapidated dwelling unit. The funds for this program are distributed on a competitive basis in which local units of government must vie for funding through an application process. Any residents at 80 percent or below of median family income, and who lives in the target area, is eligible for housing rehabilitation or replacement.

The second program offered by DCA that allows for housing rehabilitation and replacement is Revitalization Strategies. These grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum. Any residents who earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

Expected Units and Funding

From 2006-2010 NCHFA will likely invest approximately $29.4 million in HOME funds for the rehabilitation of owner-occupied housing units, assisting 730 low-income households. Approximately 50 of these units, receiving $2.1 million in HOME investment, are low priority households.

In addition, NCHFA will spend approximately $1.58 million of Duke HELP money to help 110 low priority homeowners. This money will be spent on improving the energy efficiency of the homes.

The Division of Community Assistance expects to rehabilitate or replace over 1,900 substandard dwelling units from 2006-2010. Of these, 10 units are expected to be a rehabilitation of an owner-occupied home for a household in the Low Priority category using $225,000 in CDBG funds.

Replacement Housing

Goal: Provide a replacement home for five low priority households utilizing approximately $450,000 in CDBG funds.

Population & Need

Data show that housing condition problems are great, but the state does not know what percent of the affected households would be better served with replacement housing than rehabilitation, or what percents fall into high, medium, or low priority categories. Because of this, similar or identical discussions appear in several places in this document.

According to the 2000 Census, 6,110 owner-occupied housing units in North Carolina lacked complete kitchen facilities and 9,484 owner-occupied units lacked complete plumbing facilities. Estimates based on American Housing Survey data indicate 20,000 housing units in North Carolina have a severe pluming problem. Estimates based on the same survey data indicate that there are 60,000 owner-occupied housing units with a moderate condition problem, and 28,500 with a severe condition problem. Estimates regarding moderate and severe heating problems are particularly concerning: approximately 36,000 owners live in conditions resulting in difficulty heating their homes and an estimated 6,600 do not have heat. Problems in plumbing, heating and upkeep of the home are the most prevalent.

Rural residents of extreme or very low income face particularly difficult challenges. Unlike their urban counterparts, transportation is excessively difficult because of the lack of public transportation. Because of this, these residents must private services, depend on friends or family, or spend a disproportionate amount of their income on an automobile is a difficult burden, further depleting funds for home maintenance and repair.

How Activity Meets Need

Replacement of dilapidated dwelling units is a key activity for the Division of Community Assistance. When addressing the housing needs of elderly rural homeowners between zero and 50 percent of (MFI), rehabilitation of the existing unit is the preferred method of improving the housing stock. However, many units across the state have become dilapidated to the point that it is not cost effective to rehabilitate the dwelling; this is especially true of the state's stock of older manufactured housing. Furthermore, CDBG regulations cap the amount that can be spent to rehabilitate a housing unit at $29,999 or $33 per square foot, whichever is higher. If the cost to bring the housing unit to safe, decent, and sanitary condition that meets codes is above the rehabilitation spending limits, comparable replacement housing can and should be provided.

Obstacles to Meeting Need With This Activity

The majority of replacement housing is for manufactured housing, generally of at least twenty years of age. While the quality of manufactured housing has increased significantly in recent years, so has the cost for new manufactured dwelling units. As costs increase, the number of households that can be relocated to better housing decreases. Furthermore, as more communities restrict where manufactured housing can be located, the ability to use manufactured housing as a replacement option diminishes. DCA has not yet encountered this issue on a widespread basis, but is aware that the issue could increase in the future.

The rising cost of building materials and increased competition for contractors due to the state's growing population have led to increasing costs. In addition, landfill costs for disposal of demolished houses must also be taken into account. As landfills near capacity in many parts of the state, clearance and demolition activities may become more difficult and costly.

Summary of Existing Programs

The North Carolina Division of Community Assistance addresses housing replacement for Low Priority homeowners through two programs.

The first program that DCA utilizes to address replacement housing is Concentrated Needs. In this program concentrated areas of at least six homes can have their housing needs addressed through replacement of a dilapidated dwelling unit if cost-benefit analysis mandates this approach. The funds for this program are distributed on a competitive basis in which local units of government vie for funding through an application process. Any residents who earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

The second program offered by DCA that allows for replacement housing is Revitalization Strategies. These grants are for five years and are designed to holistically address many needs of a neighborhood. Housing activities must constitute 35 percent of the overall budget of the grant; there is no maximum. Any residents who earn 80 percent or below of median family income and live in the target area are eligible for housing rehabilitation or replacement.

Expected Units and Funding

The Division of Community Assistance expects to rehabilitate or replace over 1,900 substandard dwelling units from 2006-2010. Of these, 5 replacement units for dilapidated housing are expected to be provided to owner-occupied households in the Low Priority category using $450,000 in CDBG funds.

Refinancing

Goal: The State has no goal regarding refinancing.

Population & Need

In North Carolina there are 317,000 low-income homeowners that pay more than 30 percent of their income for housing; nearly 195,000 of them earn less than 50 percent of MFI. Many of these homeowners could benefit from the refinancing of their mortgages. If all of the population that could or should be refinanced were to be, there would be a reduction in the amount of homeowners that are cost-burdened and severely cost-burdened. A certain portion of this population have not taken advantage of today's low rates because they do not know how to go through the refinancing process, or do not understand what the benefits of refinancing can be. Another portion of this population are victims of predatory lenders and may face high pre-payment penalties if they attempt to refinance.

How Activity Meets Need

By refinancing mortgages to a lower interest rate, people would be able to lower their overall payments, and in turn, decrease the portion of their income spent on housing. Or, the borrower could elect to refinance in a way that leaves their payments the same, but creates cash for them to pay down other debts, make home, repairs, finance education, etc.

Obstacles to Meeting Need With This Activity

At this time there are no state sponsored or subsidized programs to meet this need, nor are there plans to create such programs. While there is no plan to do so, the first step in formulating a program to meet this need would be to study the scope of the need and how to meet it.

Summary of Existing Programs

At this time there are no state sponsored or subsidized refinancing programs for homeowners.

Expected Units and Funding

Although refinancing is a strategy that could meet the need for some of North Carolina's cost-burdened homeowners, the state is not pursuing this activity. The agencies contributing to this strategic plan have chosen to use the available funding for other strategies to meet needs.

Residential Water/Sewer Infrastructure

Goal: Provide approximately 40 low priority households with new water and/or wastewater services living in areas with no public water or wastewater lines using approximately $1.6 million in CDBG funds. Allow for an additional 70 households to receive hook-ups to public water and/or wastewater lines using $200,000 in CDBG funds.

Population & Need

One of the most pressing problems facing homeowners between 50-80 percent of area median income in rural areas of North Carolina is the lack of clean water and proper wastewater facilities. A significant number of household on-site wastewater treatment devices installed in previous decades have begun to fail across the state. The issuance of effluent into streams or seepage to the surface from failed septic tanks becomes an environmental as well as a public health issue. Groundwater contamination from poor on-site wastewater systems can affect drinking water supplies for many rural residents that depend on wells for their water supply.

Access to safe drinking water is vital for rural residents, most of whom do not have access to public water supplies and must depend on wells. When groundwater is threatened, either due to contamination, low levels, or drought, very low-income households lack the ability to adjust without significant financial burden. The ability of residents to remain in their homes is jeopardized when it is unhealthy for them to do so due to failed septic systems or contaminated or low levels of groundwater.

How Activity Meets Need

Though not seen in the past as a direct housing activity, the provision of water and/or sewer infrastructure to rural areas is essential to improving the lives of North Carolina's low-income homeowners and allowing them to remain in their homes. This activity is considered a high priority in areas where poor water quality or failing on-site wastewater systems become a danger to public health. In many areas of our state, resident's homes have been threatened by lack of access to safe drinking water. Due to either contamination or low supply, many residents must contemplate abandoning a home that is structurally sound because it is unsafe due to lack of access to clean and safe water. Furthermore, due to the low-income status of these residents, use of bottled water is an undue financial burden.

Poor water quality is often the result of improper wastewater treatment. Failed septic systems and poor soils lead to groundwater contamination. This is becoming especially prevalent in rural mobile home parks, particularly those where a common drain field is utilized. In many places across the state, residents continue to "straight pipe" that is, directly discharge untreated sewage and wastewater into streams or onto the ground surface. This leads to surface water contamination and is a public health and environmental risk not only for the immediate community but also any others farther downstream. Identifying households that are straight piping and preventing unsanitary discharge with proper on-site wastewater facilities is vital to remove public health concerns and ensure that the communities housing stock is not abandoned or threatened due to such actions.

Obstacles to Meeting Need With This Activity

The greatest need for provision of public water and wastewater services is in the western part of the state. However, the topography in the foothills and mountains make public service prohibitively expensive for most communities. Poor soils in other parts of the state, particularly the piedmont where much of the soil has significant amounts of clay, make the provision of traditional on-site wastewater systems problematic.

Summary of Existing Programs

The Division of Community Assistance operates three programs designed to address water and wastewater infrastructure needs. The Infrastructure program provides water and/or wastewater lines to existing residential areas that previously had no public service, provided the majority of the population meets LMI qualifications. The Infrastructure Hook-Up program provides funds to allow local governments to hook residents up to water and/or wastewater lines that are pre-existing near the resident's homes, but the residents have not been able to afford hook-up costs or tap fees. The Scattered Site Housing category will address the needs of households with on-site water or wastewater treatment systems by allowing counties to identify such households experiencing problems with their well and/or septic systems and providing funds to repair or install new systems.

In addition, there are two categories of funding from DCA using CDBG funds that can treat residential water and/or wastewater problems. Both the Concentrated Needs and Revitalization Strategies categories allow for, and usually address, households that do not have access to public water and/or sewer by installing new lines or hooking dwelling up to existing lines.

Expected Units and Funding

The Division of Community Assistance will utilize approximately $1.1 million of CDBG funds over the next five years for rural public infrastructure needs across the state. Furthermore, infrastructure needs may be addressed within the Concentrated Needs category. It is estimated that 20 percent of Concentrated Needs funds will be devoted to rural infrastructure concerns. The combination of these programs should yield new public water and/or wastewater services to approximately 40 low priority households for which no service was previously available using approximately $1.6 million in CDBG funds. In addition, DCA expects to provide 70 low priority households with hook-up service to existing water and/or wastewater lines using approximately $200,000 in CDBG funds.

LOW-INCOME HOUSING TAX CREDITS

The North Carolina Housing Finance Agency (NCHFA) administers the Low Income Housing Tax Credit (LIHTC) program in North Carolina. The LIHTC program produces approximately 3,000 units of affordable rental housing units each year for low and moderate-income households.

The distribution of this resource is governed by the state's annual Qualified Allocation Plan (QAP). Under IRS Code Section 42(m)(1)(B)(ii), QAPs must give preference to projects

- serving the lowest income tenants,
- obligated to serve qualified tenants for the longest periods, and
- which are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan.

Each state's QAP must also include the following as application selection criteria:
(i) project location,
(ii) housing needs characteristics,
(iii) project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan,
(iv) sponsor characteristics,
(v) tenant populations with special housing needs,
(vi) public housing waiting lists,
(vii) tenant populations of individuals with children, and
(viii) projects intended for eventual tenant ownership.

North Carolina's QAP complies with all of the above and has other criteria and requirements adopted by the N.C. Federal Tax Reform Allocation Committee. This committee is responsible for reviewing and approving the QAP, which is then signed by the Governor.

Before that occurs, NCHFA collects comments from dozens of interested parties, both in writing and at several public meetings. The draft QAP presented to the Committee and Governor is based on this extensive input and NCHFA staff's experience.

The QAP is generally compatible with the goals of the Consolidated Plan. There are two main differences:
1) LIHTCs are not as flexible as the resources governed by the ConPlan, and
2) all of the resulting projects serve High Priority needs (to the extent feasible).

The North Carolina Division of Community Assistance (DCA) collaborates with NCHFA on some LIHTC projects. DCA may provide qualified projects with funding using Community Development Block Grant (CDBG) funds for the requisite public infrastructure necessary for the project (water and wastewater lines, streets, sidewalks, and drainage). Alternatively, CDBG funds can be used for removal of hazardous materials, or acquisition of vacant land or vacant historic buildings for adaptive reuse.

LEAD-BASED PAINT ASSESSMENT

Estimated number of housing units that contain lead-based paint hazards (as defined in section 1004 of the Residential Lead-Based Paint Hazards Reduction Act of 1992) occupied by extremely low-income, low-income and moderate-income families:

Both rural and urban areas of North Carolina contain older housing with lead-based paint. As of 2000, 1,881,326 or 53.3% of North Carolina's homes were built before 1979 and 12.8% before 1950. If the number of units built before 1979 is used to approximate the number of low- and moderate-income households with lead-based paint hazards (1978 was the year LBP legislation went into effect), then as many as 1,110,000 low- and moderate-income owner households and 570,000 low- and moderate-income renter households live in housing with potential lead-based paint hazards.

Presently, NC Division of Environmental Health's Childhood Lead Poisoning Prevention Program (NC CLPPP) has identified 880 particular housing units that require remediation by law (blood lead levels $\leq$ 20µg/dL). This includes 202 owner-occupied units, 637 rental units, and 41 units with tenure unknown. In addition, there are 538 housing units for which remediation is recommended (blood lead levels $\leq$ 10µg/dL). This includes 145 owner-occupied units, 342 rental units, and 51 units with tenure unknown.

Lead poisoning is the leading environmentally caused pediatric health problem in the U.S., even though it is entirely preventable. Lead is particularly harmful to the developing brain and nervous system of fetuses and young children. Children have a greater risk of exposure because of normal hand-to-mouth activity and enhanced absorption of lead. The neurotoxic effects of childhood lead exposure have been documented for more than 100 years. More recent clinical research has focused on the adverse effects of low-level lead exposure on cognitive development.

North Carolina is a rural state with numerous small towns. It is a state with severe poverty-related problems; North Carolina had the 5th highest infant mortality rate in the United States in 1998. According to the 2000 census, 12% of persons in NC live in poverty. Almost 16% of children under the age of 18 are in poverty, and 18% of children under the age of 6 are living in poverty.

While the lead poisoning problem in North Carolina has decreased since NC CLPPP was formed in 1994, lead poisoning is still a problem that impacts affected children their whole lives. NC CLPPP surveillance reports indicate a substantial decrease in the number of children with elevated blood lead levels. In 1995, 895 children were confirmed at or above 10 µg/dL. In 2003, only 505 children were confirmed at the same blood lead level, despite the fact that the total number of children screened has grown by nearly 40% from 87, 884 in 1995 to 121,971 in 2003 (see table below).

North Carolina Childhood Lead Surveillance Data: 1995-2004

Year	Screened (<6 years) Number	% incr	Screened (1 & 2 yrs) Number	% incr	% scr	Confirmed 10-19 µg/dL		≥20 µg/dL	
1995	87,896		44,308		21.9	717		178	
1996	95,029	(+8%)	47,479	(+7%)	23.4	662	(-8%)	137	(-23%)
1997	95,166	(+0%)	49,423	(+4%)	24.0	547	(-17%)	114	(-17%)
1998	95,167	(+0%)	53,163	(+8%)	25.2	544	(-1%)	80	(-30%)
1999	105,554	(+11%)	66,403	(+25%)	30.4	565	(+4%)	80	(+0%)
2000	115,511	(+9%)	75,762	(+14%)	33.6	676	(+20%)	122	(+53%)
2001	120,215	(+4%)	82,218	(+9%)	35.1	467	(-31%)	73	(-40%)
2002	121,059	(+1%)	86,320	(+5%)	36.2	464	(-1%)	68	(-7%)
2003	121,689	(+1%)	88,014	(+2%)	37.4	470	(+1%)	38	(-44%)
2004	124,257	(+2%)	91,861	(+4%)	39.0	349	(-26%)	52	(+37%)

Prepared by CEHB. Draft 02/14/2005.

Since 1995, over a million (1,081,543) North Carolina children have been screened for lead poisoning. Among the primary target population of 1- and 2-year olds, 3.6% (14,932) of the 419,439 children who were tested for lead poisoning had elevated exposures (>10 µg/dL). Among the low income population there were 108,536 1-and 2-year-old children enrolled in Medicaid (in 2000), and Medicaid recipients account for more than 76% of children with confirmed elevated blood lead levels in the state. By 2001, the screening rate among Medicaid 1- and 2-year-olds had increased to 54% statewide compared to 35% for all 1- and 2-year-olds. Analysis of existing surveillance data indicates that the screening rate and prevalence of childhood lead exposure also varies widely by geographic region within the state.

Contrary to generally held assumptions about the epidemiology of childhood lead poisoning, children living in primarily rural counties have nearly twice the risk of lead exposure as urban children in the state. According to 2001 screening data, rural communities in eastern North Carolina had the highest number and percentage of lead-poisoned children in the state. One 12-county rural region, which accounts for less than 10% of the statewide target population, contained more than 26% of all confirmed elevated blood lead levels in the state.

Based on 2000 census data, North Carolina had a population of 647,879 children less than 6 years of age. This represents approximately 8% of the total population. In 2000, 115,536 North Carolina children 6 months to 6 years of age were screened for lead poisoning (approximately 18 percent of children in this age range).

Actions to evaluate and reduce lead-based paint hazards and description of how lead-based paint hazards will be integrated into housing policies and programs:

The North Carolina Housing Finance Agency (NCHFA) has operated single-family housing rehabilitation programs benefiting lower-income families since 1983, comprehensively rehabilitating nearly 7,900 homes and providing urgent repairs for nearly 4,500. As of September 10, 2001 all HOME-assisted housing units meet the 24 CFR 35 lead paint standards.

NCHFA continues to work with NC CLPPP, with whom NCHFA has a long history of collaboration. The NC CLPPP and partner agencies address lead-based paint hazards in North Carolina through the Ad Hoc Lead Advisory Committee (an ongoing quarterly roundtable involving all interested parties) and NCHFA Lead Abatement Partnership Program (LAP) and Urgent Repair Program (URP). The NC CLPPP currently coordinates clinical and environmental services aimed at eliminating childhood lead poisoning in North Carolina.

NCHFA created LAP at the request of NC CLPPP by committing $500,000 (of recaptured HOME funds), to a demonstration project that provides financial assistance to low- and moderate-income homeowners with EIBLL (elevated intervention blood lead level) children, for abatement of lead hazards. When the NC CLPPP refers a case to NCHFA, Agency staff contacts a housing rehabilitation organization serving the homeowner's area and negotiates a contract for abatement of lead hazards and comprehensive rehabilitation of the property.

In ongoing collaboration & consultation between outside parties and the Ad Hoc Lead Advisory Committee, local health officials have been the most vocal participants of the consultation, citing both need for further programming and funding as well as applauding current programs.

The most frequently mentioned need was funding for lead hazard control work for rental units occupied by households of children with elevated blood lead levels. In addition, it was mentioned that although the LAP program is an effective tool for many situations, there is a significant need for funding that would make available quick investment for interim controls (rather than the larger amount typically needed under the LAP program) in cases where the LAP program is not feasible due to the size or degree of deterioration of a unit. Finally, a need was expressed for funding for lead hazard control in units occupied by children with blood lead levels between 10µg/dL and 20µg/dL.

NCHFA has responded to each of these needs. The URP program's regulations were modified to include households of children with blood lead levels greater than 10µg/dL as eligible for up to $3,500 in aid. NCHFA created a special fund of $75,000 to assist, on a case-by-case basis, households under threat of displacement due to lead poisoning or mobility impairments, again with a $3,500 limit per unit. NCHFA is looking at how to best address the needs for funding for children with elevated blood lead levels in rental situations.

As required by the Centers for Disease Control (CDC), NC CLPPP developed the "NC CLPPP Plan to Eliminate Childhood Lead Poisoning by 2010". NCHFA was represented and was one voice in a choir of health and housing professionals that helped develop the plan. The collaboration between NC CLPPP and other state and local health- and housing-related organizations is essential to the success of the strategic plan. The plan reflects a comprehensive approach to eliminating lead poisoning. The plans mission is to eliminate lead poisoning in North Carolina's children by 2010 through health and housing initiatives. The following three objectives are reflected in the plan: minority outreach; the use of GIS-based mapping information; and housing-oriented primary prevention.

The health goal is to assure that each at-risk child is screened at ages 1 and 2 (or on first entry to the health system under age 6), and that all children with blood lead levels 10 µg/dL or above receive appropriate follow-up care. The housing goal is to eliminate lead hazards from places where children live, play, and visit.

NCHFA will work closely with NC CLPPP to encourage contractors to see the economic value of getting their workers and supervisors trained and certified in lead work. While the state currently has certified personnel, they are too few for the market to become sufficiently competitive. Exorbitant pricing is commonplace. CDBG and HOME program sub recipients are receiving bids far exceeding what would have been expected before the advent of the new regulations of 24 CFR 35. As a result, too many of those sub recipients have sought to avoid, rather than to target, homes with lead based paint hazards. However, as local companies enter the market, prices will fall to much more reasonable levels. This should permanently benefit all the federally-funded projects which are subject to 24 CFR 35. Additional collaborative efforts will produce more lead training programs offered to workers and contractors.

BARRIERS TO AFFORDABLE HOUSING

In order to meet high priority housing needs in North Carolina during 2006-2010, the State will undertake strategies to reduce barriers to affordable housing. Although the focus of this discussion is on the removal of State barriers to affordable housing, many local barriers are described as well since these local barriers continue to exist in North Carolina.

Affordable housing barriers include a variety of regulations and policies that can thwart affordable housing development. These barriers include weak state planning laws, group home spacing requirements, and the lack of a state rehabilitation building code. During 2004, the State of North Carolina prepared a response to HUD's Questionnaire on Regulatory Barriers (see Appendix G). This questionnaire allowed applicants to gain additional points for competitive HUD grants, depending on the number of "yes" answers provided. The State was able to provide only 4 "yes" answers and 11 "no" answers.

State Issues

State Planning Laws (Comprehensive Plans Housing Elements and Inclusionary Zoning) – Due to the weak nature of State planning statutes in North Carolina, jurisdictions are not required to complete a comprehensive plan and are not required to complete a housing element as part of a comprehensive plan (GS 160A-383). The absence of strong housing planning laws will continue to create a barrier to the development of affordable housing.

The State of North Carolina established a Commission on Smart Growth, Growth Management, and Development in 1999. The Commission's recommendations (Fall 2001) included several related to affordable housing. Goal 2.1 of the Community and Downtown Vitality Work Group calls for local communities to prepare "comprehensive local growth plans." One of the strategies listed under Goal 2.1 is to "require that all plans analyze the need for affordable housing based on available data and established criteria, and how needs will be addressed."

Implementation of any of these recommendations will depend, in part, on a new committee created by the North Carolina General Assembly in January 2002. The Joint Legislative Growth Strategies Oversight Committee was established to study the recommendations of the Commission on Smart Growth, Growth Management, and Development and to also consider additional strategies including "removing barriers to affordable housing and preserving housing choice…" The Oversight Committee will also "determine how to increase the full range of affordable housing opportunities for low-income and moderate-income North Carolinians." The Oversight Committee must submit recommendations to the General Assembly prior to January 16, 2005 (this date has since been extended).

Another related issue concerns the lack of a statewide inclusionary zoning law. The state legislature has granted some jurisdictions the ability to enact voluntary inclusionary zoning ordinances (e.g., Orange County, City and County of Durham), but local jurisdictions are currently prohibited from enacting any type of mandatory ordinance unless given explicit authority from the State. At the current time, the town of Davidson is the only jurisdiction in North Carolina that is permitted to mandates the inclusion of affordable housing in new residential developments. Davidson requires that all residential development include a minimum of 12.5% affordable units. There is no density bonus calculation but the affordable units are required in addition to the market rate units approved for development. The absence of enabling legislation for inclusionary zoning is a significant barrier to affordable housing in the State.

State Laws Regarding Group Homes – Chapter 168 in the North Carolina General Statutes states that every "handicapped person shall have the same right as any other citizen to live and reside in residential communities, homes, and group homes…" In the same chapter, however, it is stated that political subdivisions "may prohibit a family care home from being located within a half-mile radius of an existing family care home." The spacing requirement provision (GS 168-22) has created significant barriers to the provision of affordable housing, including supportive housing, for the following reasons:

1) The half-mile spacing requirement, although permissive, had been used as a minimum requirement for many communities around the State;
2) The spacing requirement has been used to deny requests for new group homes for special needs populations and has also been used to shut down existing group homes;
3) Some jurisdictions have further restricted the ability of nonprofits to provide group homes by prohibiting group homes in residential areas unless there is supervision in the group home;
4) Many jurisdictions have spacing requirements for other uses such as emergency shelters which can be combined with group home spacing requirements to deny a proposed group home;
5) Some jurisdictions may still require a permit for a group home and or a special use permit even when the use is by-right in a particular residential zoning district.

State Building Code – While the State of North Carolina has adopted the International Code Council (ICC) Building Code, it has not adopted a building code for residential rehabilitation projects, as has been done in New Jersey.

Local Issues

The lead agency of the Consolidated Plan, the Division of Community Assistance, has contracted with The North Carolina Fair Housing Center for analysis of impediments to fair housing choice; it awaits the results of this analysis.

Planning Approval Procedures for Re-zonings and Special Use Permits- The need for multifamily zoning and/or special use permits can often impede the development of affordable housing, including supportive housing. Due to the fact that both procedures trigger public review, affordable housing developers must contend with Not in My Back Yard (NIMBY) sentiments.

Development Requirements – Many times, local development requirements negatively impact affordable housing development. Minimum parking standards, for example, are mandated for new multifamily developments that serve special needs populations who often do not drive. Many times the standards are unnecessary on the basis of public safety and health and are deliberately created for the sole purpose of discouraging affordable housing development.

Outdated Zoning Definitions for Supportive Housing – Existing zoning codes in North Carolina are outdated and ill equipped to handle new models of supportive housing. This is a continuing issue that presents one of the biggest affordable housing barriers in the State. The lack of updated zoning regulations means that supportive housing proposals are classified incorrectly as institutional land uses and can often be barred from locating in residential zoning districts altogether. Some communities will define a permanent housing development for homeless men as an assisted living facility and require additional parking. Other communities lack appropriate zoning regulations for single room occupancy (SRO) developments and determine that SRO developments should be located in industrial districts instead of residential zoning districts.

A related issue concerns overly restrictive zoning definitions of single family. When jurisdictions prohibit or severely limit the number of unrelated persons that may live in single family homes, they are creating barriers to affordable housing and may also run afoul of fair housing laws due to the impact of single family definitions on group homes for persons with disabilities.

Housing Location Policies – Several large cities in North Carolina have adopted housing location policies in an attempt to prevent over-concentrations of affordable housing. In practice, however, many of these location policies create barriers to affordable housing due to the lack of assistance on the part of the local government. Affordable housing developers are prohibited from developing in certain locations of a community without any financial or in-kind incentives from the local jurisdiction to locate in "non-concentrated" areas. As a result, housing location policies often present barriers to the development of affordable housing.

Ignorance of Fair Housing Act - The continuing lack of understanding of the Fair Housing Act at the local level is creating significant barriers to affordable housing. This lack of education plays out in the following ways:

1) Local planners and planning commissioners are not trained in fair housing laws and make decisions on affordable housing proposals that are in violation of the Fair Housing Act;
2) Local building inspectors do not enforce the Fair Housing Act's accessibility provisions regarding multifamily residential development;
3) Local jurisdictions do not have reasonable accommodation ordinances to handle requests for special needs populations.

These issues are addressed more fully in the Analysis of Impediments section.

Proposed Goals and Strategies:

Objective: Propose changes to North Carolina State laws that facilitate the development of affordable and supportive housing.

Strategy: Recommend changes to the state planning enabling laws to require local jurisdictions to create comprehensive plan housing elements.

Strategy: Recommend changes to state planning enabling law to permit all local jurisdictions to enact inclusionary zoning, either on a mandatory or a voluntary basis.

Strategy: Eliminate the ½ mile spacing statute (NCGS 168-2) which has created a barrier to the development of supportive housing throughout the State and which impedes compliance with the Olmstead Decision.

Objective: Educate planning directors, planning commissioners and entry-level planners on fair housing laws.

Strategy: Develop fair housing training programs through the Institute of Local Government, UNC Chapel Hill, NC Fair Housing Center, and the Center for Universal Design at the NCSU College of Design.

Objective: Educate local building and zoning officials on the Fair Housing Act and ADA

Strategy: Develop fair housing training programs through the Institute of Local Government at UNC Chapel Hill and the Center for Universal Design at the NCSU College of Design.

Objective: Develop model zoning regulations for supportive housing to create more uniform treatment at the local level of proposed supportive housing developments.

Strategy: Develop a model zoning code for supportive housing working with the Institute of Local Government, the NC Fair Housing Center, the North Carolina Housing Finance Agency, the State Department of Health and Human Services, and the Center for Universal Design at the NCSU College of Design.

COMMUNITY DEVELOPMENT STRATEGIES

Community development strategies for North Carolina build on the overall goals of the Consolidated Plan as well as the strategic plan for the North Carolina Department of Commerce. Furthermore, the chart below shows the needs assessment for community development conducted by the North Carolina Division of Community Assistance. The basis for this assessment is the result of focus groups held across the state where feedback was elicited on community development initiatives, advice from formal advisory groups to DCA such as the Community Development Council and NC Partners, and consultations with other community development partners such as the North Carolina Rural Economic Development Council.

Category	Specific Activity Class	Priority Based
PUBLIC FACILITY NEEDS (projects)		
	Senior Centers	Low
	Handicapped Centers	Low
	Homeless Facilities	High
	Youth Centers	Low
	Child Care Centers	Low
	Health Facilities	Medium
	Neighborhood Facilities	Medium
	Parks and/or Recreation Facilities	Medium
	Parking Facilities	NSN
	Non-Residential Historic Preservation	Low
	Other Public Facility Needs	NSN
INFRASTRUCTURE (projects)		
	Water/Sewer improvements	High
	Street Improvements	Low
	Sidewalks	Low
	Solid Waste Disposal Improvements	NSN
	Flood Drain Improvements	Medium
	Other Infrastructure Needs	Low
PUBLIC SERVICE NEEDS (people)		
	Senior Services	Low
	Handicapped Services	Low
	Youth Services	Low
	Child Care Services	Low
	Transportation Services	NSN
	Substance Abuse Services	Low
	Employment Training	High
	Health Services	Low
	Lead Hazard Screening	Medium
	Crime Awareness	Low
	Other Public Service Needs	NSN
ECONOMIC DEVELOPMENT		
	ED Assistance to For-Profits (business)	Medium
	ED Technical Assistance (business)	High
	Micro-Enterprise Assistance (business)	High
	Rehab; Publicly-or Privately-Owned Commercial/Industrial (projects)	High
	C/I* Infrastructure Development (projects)	High
	Other C/I* Improvements (projects)	Low
PLANNING		
	Planning	Medium

The strategies described below are designed to build stronger communities, create jobs through sustainable economic development and to target resources to distressed areas.

Build Stronger Communities

Water and Waste Water Infrastructure

Water and wastewater needs in the state are tremendous, particularly in rural areas. According to a recent report released by the North Carolina Rural Economic Development Center[8]. As local budgets have become even more tight over the last four years due to economic decline in many rural parts of our state, the ability for small water/sewer systems to meet their financial obligations and maintain their systems has become onerous. Therefore, the ability of rural governments and authorities to expand and provide service to areas that currently depend on on-site systems is minimal. Over the next five years the state plans to continue its focus on providing access to infrastructure for low and moderate-income families in order to mitigate public health and environmental risks, meet clean water standards, and meet the water and wastewater goals from the Rural Prosperity Task Force.

Specifically:

- The CDBG program will support infrastructure projects for low-income neighborhoods experiencing environmental and public health problems with an emphasis on 21st Century Communities. Through this program, by 2010, 400 low-to-moderate income households will
- Further develop the relationship with partners such as the North Carolina Rural Economic Development Center in order to better serve rural economic development infrastructure needs.
- Maintain the Infrastructure Hook-Up program, which has been a success as a demonstration program to connect low-to-moderate income households to existing public water and wastewater lines. This program has moved beyond the demonstration phase into full implementation. Through this program, by 2010, 1,400 low-to-moderate income households will be connected to existing public water and/or wastewater lines.
- By 2007, the Division of Community Assistance will streamline its Urgent Needs process in order to more effectively serve those in need of water and wastewater assistance due to damage from natural disasters.

Community Capacity Building

In an effort to promote the best community development practices at the local level, an emphasis will be placed on community capacity building. The Division of Community Assistance (DCA) will allocate resources over the next five years to helping communities increase their capacity to develop and implement excellent CDBG projects through marketing and outreach as well as direct technical assistance.

[8] This report has a new release date of Summer 2005.

Specific goals are:

- Assist in the promotion and evaluation of 21st Century Communities. 21st Century Communities are rural counties that have demonstrated an ability and desire on the local level to grow and move into the new economy. The North Carolina Department of Commerce reviews applicants for the program, provides analysis and technical assistance, and gives incentives for CDBG categories, such as the Infrastructure set-aside.
- By 2007, complete a full internal review of the Capacity Building category and identify best practices for the program.
- Continue to administer the Capacity Building Category. By 2009, DCA plans to fund up to 10 Capacity Building projects, which will include projects in Tier 1 or 2 counties, non-entitlement State Development Zones, and 21st Century Communities.
- Continue to conduct the Community Development Academy, in partnership with the School of Government. The Academy instructs local officials, nonprofits, and for-profit consultants on best practices in CDBG management and identifying appropriate projects for the CDBG program.
- By 2007, re-design the Annual Performance Report document to capture more specific community development data, including the use of Performance Measures.

Comprehensive Neighborhood Revitalization

Comprehensive approaches to community development integrate economic, physical, environmental, and human development in a coordinated fashion, responding to the total needs in a community. Comprehensive neighborhood revitalization involves an ongoing process of expanding, rehabilitating, and maintaining affordable housing, and improving public facilities, resources, and services. At a municipal, county, or regional level, this entails multi-year plans to identify priority areas and strategies to improve the quality of the physical, social, economic and housing conditions in those areas.

The goals of comprehensive neighborhood revitalization include:

- Strengthening partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations
- Extending the useful life of existing housing and expanding affordable homeownership opportunities
- Improving residential and/or small business infrastructure and eliminating environmental hazards
- Expanding access to community services for residents who need them
- Increasing economic opportunities that enable neighborhood residents to help themselves
- Fostering community partnerships and organizations that can build upon the capacity and human capital of the local populace

Strategic actions to support comprehensive neighborhood revitalization include:

- Investigate the possibility of a second round of the Revitalization Strategies program, to be initiated in 2006. The feasibility of continuation of the program will heavily depend upon the CDBG allotment in future federal budgets.
- Continue to implement the Urban Redevelopment category, as funds are available. This category provides grants of up to $1,000,000 for large-scale downtown redevelopment projects using de-programmed Economic Development CDBG funds.
- Convene forums of nonprofit organizations, lenders, foundations, local governments and others interested in enhancing the practice of collaborative community and neighborhood revitalization in North Carolina.

Sound Growth

Fostering and promoting best practices that help local communities take advantage of growth and prosperity while maintaining and enhancing the quality of life of citizens as well as protecting community character is an important Community Development Strategy. Over the next five years the overall goal is to support sound growth by making investments that avoid sprawl and are consistent with local growth plans.

Specifically:

- Fully support the Main Street program, as well as provide administrative support for the Small Towns initiative. The Small Towns initiative provides technical assistance and design consulting to rural municipalities with less than 5,000 in population.
- Evaluate the impacts of funding decisions against smart growth principles and adjust program guidelines as necessary. Specifically, by 2008 investigate changes that could be made to the Housing Development category that would further encourage infill development and follow the principles of smart growth.
- Investigate the development of a pilot program to assist local governments in creating community development plans. These plans would be the guiding tool for the future application for CDBG programs.

Economic Development

Economic sustainability and stability foster community stability and growth. Since 1982 the state has devoted twenty per cent of the Small Cities CDBG allocation to economic development purposes. Primarily this has been used to fund grants and loans to local governments and businesses that create new job opportunities.

CDBG Grants and Loans

A commitment to direct the benefit of these jobs to low-to-moderate income persons is required of all projects funded through the CDBG program. Benefit is demonstrated via jobs created or retained as a direct result of CDBG funding. Working through local governments, local economic developers, regional economic development partnerships, and Commerce Department field staff, CDBG funds will be used to attract successful companies that are willing to commit to specific job creation goals. Toward this end local governments may seek assistance to extend or expand infrastructure to serve industrial or commercial facilities. Local governments may also apply for CDBG funds for loans to assist companies are available when the need for below-market interest rates can be documented. Loans are aimed at supporting new industrial facilities or expansions of existing industries that will create job opportunities by enhancing private lending risks or closing "gaps" in project financing. Participation by a private bank with a location in North Carolina of at least 50 percent of the total loan requirement is mandatory. CDBG loan funds share an equal position in the collateral as the private funds. Repayment of the loan by the private company becomes program income to the State and is deposited into a CDBG economic development revolving loan fund (RLF). Funding from the RLF is available only as loans.

Certified Industrial Site Planning

Loans are available to local governments located in counties in Tiers 1, 2, and 3 to assist with the costs associated with certifying industrial sites. These funds must be repaid to the RLF after the certified site is sold or within five years of award. Loans for industrial shell buildings will also be available from the RLF based on the projected number of jobs to be created and the level of distress (Tier level) in the community. These loans will be at a 2% interest rate with a maximum term of 5 years. The local government applicant is required to match the grant dollar for dollar.

Section 108-guaranteed Loans for Economic Development Projects

Using the state's CDBG annual allocation, additional funds may be leveraged under the federal Section 108 loan guarantee program. As with all CDBG funding for economic development ventures, the main purpose is to create new jobs for lower income residents. Local economic development projects that can sustain debt service and meet stringent underwriting requirements are eligible. All program income generated by the Section 108 loan is returned to the Revolving Loan Fund.

Small Business/Microenterprise Development

As that state’s economy continues to diversify into new industrial sectors, the state’s economic development initiatives must also adjust to meet a changing environment. As part of that effort, the Division of Community Assistance will undertake an initiative by 2006 to explore ways that CDBG funds can be best utilized to assist small businesses emerge and grow. Options for small business and microenterprise development that may come from this initiative include, but are not limited to, an expansion of the Individual Development Account program to include microenterprise development, funding of Microenterprise Development (MED) programs in conjunction with the North Carolina Rural Economic Development Center (Rural Center), and continuation of the Entrepreneurial

Assistance category in partnership with the Rural Center.

An Entrepreneurial Assistance demonstration effort was launched, in partnership with the Rural Center, in 2004. The results from these efforts will be analyzed as the grants end in 2006 to help identify the best uses of CDBG funds for small business development. Furthermore, in 2005-2006 a round table of business, economic, and community development leaders will be conducted by the Division of Community Assistance to help focus CDBG efforts in small business and microenterprise development.

Urban Redevelopment Grants

The state's Small Cities CDBG program will continue to offer Urban Redevelopment grants to Small Cities eligible communities. Funded through uncommitted Economic Development funds, Urban Redevelopment grants encourage increased economic activity in areas that have been designated as "Redevelopment Areas" or "Rehabilitation, Conservation, and Reconditioning Areas" under North Carolina Redevelopment Law. CDBG funds will be provided to municipalities to remove obstacles to private investment in the area by correcting code or safety violations or for historic preservation of deteriorated buildings, by improving infrastructure, by acquiring and clearing blighted property, and by addressing other conditions that contribute to the deterioration or under-investment in the area. They are primarily targeted to downtown areas of the state's small cities and towns. Eligible projects must include commitments for the private investment that will be generated by the activities carried out with CDBG funds.

Coordination

CDBG funds are but one part of the state's larger job-creation strategy. Other tools administered by the North Carolina Department of Commerce include the William S. Lee Act Tax Credit Program, the One North Carolina Fund, Job Development Investment Grants, the Industrial Development Fund, and Industrial Revenue Bonds. The Commerce Department will coordinate the use of these economic development tools through a project finance committee. This committee will assure consistency in funding decisions, appropriate targeting of resources to meet state policy objectives, and maximum leverage of private resources with public investments. Furthermore, North Carolinians approved, in 2004, a constitutional amendment granting counties and municipalities the authority to issue Self-Financing Bonds. Also known as Tax Increment Financing, local governments may now issue bonds to pay for infrastructure improvements, bonds that will be paid off through increased tax value of surrounding development. Though no projects using such bonds have been completed at this time, this new economic development tool may have a resounding impact across the state over the next five years.

The Division will explore options for working with the North Carolina Commission on Workforce Development. DCA is interested in partnering with the Commission on joint programs in worker and employment training as a way to help retrain displaced workers from traditional industries.

Targeting Distressed Areas

With possible steep declines over the next five years in federal funding for community development programs such as CDBG, remaining funds must be strategically targeted to low and moderate-income citizens and communities. This principle is also consistent with the goal of the Comprehensive Strategic Economic Development Plan to direct resources to less wealthy areas of the state. To this end, Community Development Block Grant funds will continue to focus on distressed areas, defined as Tier 1, Tier 2, State Development Zones, and 21st Century Communities.

ANTI-POVERTY STRATEGIES

In addition to the provision of safe, decent, and affordable housing for all North Carolinians, a core mission of the Consolidated Plan partners is to help alleviate and eliminate poverty in North Carolina. Creating programs and tailoring existing ones to assist people in improving their economic well-being is a cornerstone to all housing and community development work. Housing, community development, and economic development are all inter-related, and the elimination of poverty for all North Carolinians is a recurring theme in our work. Below is a listing of the strategies being undertaken by the state Consolidated Plan partners to eradicate poverty across the state.

Division of Community Assistance

The Division of Community Assistance believes that in order to successfully attack poverty at its root level a holistic strategy towards community development must take place. Towards that end, in 2001 the Division created the Revitalization Strategies category. Grantees in this category are allowed to undertake any CDBG-eligible activity within a framework that addresses the housing, infrastructure, economic, human capital, and all other community development needs within a neighborhood-level target area. The goal is this program is to tackle all of the issues that are plaguing a particular neighborhood and work to improve conditions in all aspects within a five-year time frame. Examples of projects within the Revitalization Strategies category that are working to alleviate poverty in ways that are outside of the purview of typical community development projects are a new medical/dental clinic in a low-income neighborhood to provide affordable health care to needy residents, provision of an active recreation park so that children have adequate recreational facilities and a chance to work with positive role models, and renovation of an abandoned warehouse to help spur downtown economic development and provide a central location for social services for low-income residents.

The Division further believes that true eradication of poverty means providing residents with tools to help themselves achieve greater financial stability. To this end, the Division will continue to operate one category while investigating ways to improve a recent demonstration project. The Individual Development Account category provides down payment assistance, credit and housing counseling, and financial literacy and homeowner education to prospective first-time home buyers. By assisting low-income residents to acquire an appreciating asset, wealth is built and skills gained so that residents can remove themselves from the debt cycle that plagues many low-income families. Temporary Assistance to Needy Families (TANF) funds are often linked at the local level with IDA programs. TANF funds provide an additional match for qualifying IDA participants, further increasing equity and lowering monthly payments.

As a method of ensuring that funds are directed to areas of high poverty across the state, many CDBG categories reserve their grant funds for Tier 1 or Tier 2 counties and state development zones.

The Tier system is based on North Carolina's William S. Lee Quality Jobs and Business Expansion Act, which divides the state's counties into tiers based upon their relative economic development needs. Tier 1 & 2 counties are seen as having more dire need for economic and community development services. Therefore, grant categories such as Revitalization Strategies are set aside for those counties. The same is true for State Development Zones. State Development Zones are particular areas of counties or municipalities that, through census and other quantitative data, demonstrate high levels of poverty and other characteristics of high levels of economic and community development need. Neighborhoods located in State Development Zones (but not in entitlement cities) are also entitled to the same preferences as Tier 1 & 2 counties.

North Carolina Housing Finance Agency

Many of the activities the NCHFA's plans to undertake or continue in the 2006-2010 period could be categorized as anti-poverty activities:

- It will finance supportive rental housing.
- It will provide funding for qualified low-, very-low, and extremely-low-income home buyers through Individual Development Account programs.
- As opportunities arise, it will fund rental and homeownership development connected with public housing authorities' Family Self Sufficiency programs.
- It will fund both transitional and permanent housing for homeless and disabled persons.
- It will provide funds to support the homeless policy specialist, in the Office of the Secretary of Health and Human Services, who works with the Interagency Council for the Coordination of Homeless Programs.
- It operates and promotes programs that prevent foreclosure for households which have become involuntarily unemployed.
- It will provide 10-year rent assistance for homeless or disabled households in developments funded with tax credits.
- It administers HUD rent assistance contracts for 24,000 privately owned apartments statewide.

INSTITUTIONAL STRUCTURE

Though the Consolidated Plan partners are instrumental in the provision of housing and community development services to the residents of North Carolina, they are not alone in assisting North Carolinians in this matter. Below are listed the institutional structure of each of the four partner agencies, as well as their work with other state agencies, non-profits, and private organizations that play a major role in carrying out their missions. The strengths and gaps of the delivery systems are also addressed.

Division of Community Assistance

Organizational Structure

The North Carolina Division of Community Assistance (DCA) is a part of the North Carolina Department of Commerce, led by the state Secretary of Commerce, who reports directly to the Governor. The mission of the North Carolina Department of Commerce is *"to improve the economic well-being and quality of life for all North Carolinians."* DCA is the community development arm of this mission, and is headed by its Director, Gloria Nance-Sims. Assistant Director Vickie Miller leads the Community Development Block Grant (CDBG) portion of DCA. CDBG is divided into two sections, Program Development and Grants Management. Program Development is responsible for the writing of guidelines and applications for each CDBG category, providing technical assistance to potential grantees and members of the public on the front end of the grant process, rating applications, monitoring demonstration grants, and all planning efforts for DCA. Grants Management provides technical assistance to grantees once they have been awarded, monitors all grants in established categories and ensures CDBG compliance on the part of the grantees, assists in the grant closeout process, and ensures proper files and documentation for all grants.

DCA must, by federal regulation, award all CDBG grants to local governments. These local governments in turn assist DCA by providing information regarding their needs as well as carrying out the responsibilities of the grants. However, in order to carry out the North Carolina Department of Commerce's mission to improve the well being of all North Carolinians, many local governments, and thus the North Carolina Small Cities CDBG program, must rely on various non-profits and private consulting agencies to handle the day-to-day operations of the grants on the local level.

Strengths and Gaps

DCA sees its highly motivated professional staff as a key strength to its success. Without knowledgeable and resourceful staff to apprise local communities of the many intricacies and requirements of the CDBG program, DCA would not be nearly as successful as it has been over the past two decades meeting the housing and community development needs of our state's low income residents. The flexibility of CDBG funds themselves is an added strength to the Division. The ability to meet a variety of needs in one community allows DCA to truly help a neighborhood, regardless of its particular challenges. To that end, DCA's CDBG programs are consistently redesigned, and new ones are introduced in order to meet the state's latest community development challenges and needs. By having a highly capable staff to provide technical assistance in a variety of forums, DCA offers more local communities opportunities to participate in CDBG programs. The Division continues to see training and professional development for staff as an opportunity to improve the delivery of services in 2005.

A major gap in the delivery system has been the lack of funds to meet all identified needs throughout the state. Though the flexibility of CDBG funds is a major strength for the program, it also means that there are more interests in CDBG dollars for particular sub-populations than for other programs. Meeting all of these demands both geographically and by type of need with limited funds is a constant struggle and criticism of the CDBG program. DCA will continue to be as flexible as possible to meet the needs of as many North Carolinians as possible while also trying to prevent dollars from being spread so thin that they have little effect on local conditions.

Another issue that has been identified as a gap through the public participation and consultation process has been the requirement of local governments to participate in all CDBG projects. While DCA sees this requirement as a positive so that local officials can help shape the direction of CDBG projects and are a strong leader and advocate as a major stakeholder, some advocates have charged that this leads to politically undesirable, though CDBG-eligible, projects from being applied for, much less funded. For example, there have been no applications submitted to DCA for the CDBG Small Cities program for construction or renovation of homeless shelters in our state's rural areas, though entitlement cities often use CDBG funds for homeless shelters. It has been posited that many rural local elected officials are wary of new or expanding homeless shelters in their jurisdictions, and therefore do not apply for CDBG funds to be used for them, even though there is an identified need for this. DCA will initiate discussions with our Community Development Committee and statewide homeless advocates to try to address these concerns.

State budgetary conditions have also limited DCA's ability to provide as much technical assistance as demanded by communities and presents a weakness in the Division's ability to provide housing and community development services. DCA staff will continue to provide assistance to all communities and members of the public to the best of their ability.

North Carolina Housing Finance Agency

Organizational Structure
The North Carolina Housing Finance Agency is a self-supporting public agency. The Agency's mission is to create affordable housing opportunities for North Carolinians whose needs are not met by the market. Since its creation in 1973 by the General Assembly, NCHFA has financed more than 160,000 affordable homes and apartments, totaling $9 billion.

NCHFA provides financing through the sale of tax-exempt bonds and management of federal and state tax credit programs, the federal HOME Program, the state Housing Trust Fund, and other programs. It partners with local governments (cities, counties, Councils of Government, etc.), with nonprofit organizations, with private for-profit organizations, and with other state departments, as well as other parties. Using these resources and its own earnings, the NCHFA:
offers low-cost mortgages and down payment assistance for first-time home buyers,
finances affordable homes and apartments developed by local governments, nonprofit organizations, and private owners,
finances the development of housing for people with special needs,
finances the rehabilitation of substandard owner-occupied homes, and
administers HUD rent assistance contracts for 24,000 privately owned apartments statewide.

NCHFA operations are overseen by a geographically diverse 13-member Board of Directors. The Governor, President of the Senate, and Speaker of the House of Representatives each appoint four members, and these 12 members elect a thirteenth. The Board of Directors appoints the Agency Executive Director, subject to approval by the Governor; and the Executive Director hires all staff. NCHFA statute describes its board composition, general powers, program authority, and financing capability.

NCHFA reports its budget through the Office of State Budget and Management in the Governor's Office. Its financial accounts are audited annually by an independent auditing firm. NCHFA bonds are rated AA by Standard and Poor's and Aa2 by Moody's.

Strengths and Gaps

NCHFA has a number of significant strengths, particularly that it is a single purpose housing agency with flexible funding resources. The NCHFA has developed enormous technical expertise and knowledge in its staff and Board of Directors through successfully operating a diverse group of housing programs.

One challenge NCHFA faces is an uncertain interest rate environment. NCHFA has private activity volume cap sufficient to meet its current homeownership goals. It offers a variety of loan products (conventional, FHA, USDA, and VA) and has 90 and 150 day interest rate guarantees. NCHFA is currently serving only approximately 70 percent of the state's counties with its mortgage products, but intends to expand coverage by developing a pilot program for third party originations and offering lender incentives to increase loan production in unserved areas of the state.

NCHFA also recognizes as a weakness in the housing delivery system the amount of training some housing counselors in North Carolina have received. In an effort to address this weakness it provided financing for training during 2004, through the Affordable Housing Group, to counselors in the NC Association of Housing Counselors.

Office of Economic Opportunity

Organizational Structure

The Office of Economic Opportunity (OEO) is housed within the Office of the Secretary, Department of Health and Human Services. Its primary purpose is to protect the vulnerable and assist poverty-stricken families to achieve economic independence. In many rural areas and low-wealth urban neighborhoods of North Carolina, OEO funded agencies may be the only agencies able and willing to reach the poor – helping individuals find a job, locate housing, obtain shelter, have food, access health care and provide day care for their children.

OEO administers the Community Services Block Grant (CSBG) Program, the Weatherization Assistance Program (WAP) and the Emergency Shelter Grants (ESG) Program. The CSBG Program provides funding to 36 community action agencies and six limited purpose agencies across the state that, in turn, operate programs that empower poor communities to locally implement anti-poverty programs. With CSBG funding the community action agencies and limited purpose agencies conduct program activities that assist low-income individuals in finding employment, increasing their educational levels, using their available income in the best way and locating safe, decent and affordable housing.

The WAP Program is funded by the Department of Energy. WAP grants are awarded to States that then contract with local providers to deliver weatherization assistance services. In this way, the Program works to assure that low-income families do not experience the excessive burden of high energy costs. In North Carolina, 33 agencies in the state receive WAP allocations which are used to deliver services to eligible residents in all 100 counties of the State. WAP services include sealing air leaks, installing insulation, sealing and insulating ducts, installing smart thermostats, replacing existing lighting with energy-efficient bulbs and performing tune-ups and repairs to heating and cooling systems.

The ESG Program provides funding annually to over 100 nonprofit organizations and three units of local government that operate emergency shelters and/or other housing facilities for the homeless in over 50 counties of the State. ESG funds may be used to pay facility operating costs such as rent, utilities, maintenance, communications and supplies and materials, to provide essential services to facility residents such as counseling, day care, employment search, housing referral and medical care, and to conduct certain activities that would prevent persons from becoming homeless such as payment of late rent/mortgage payments, security/utility deposits and utility arrearages.

Strengths and Gaps

The Office of Economic Opportunity is fortunate to have a highly motivated and professional staff who possess decades of experience in working with nonprofit community-based organizations and state and federal government agencies and programs. Many of our staff members have dedicated their professional careers to working on behalf of the disadvantaged people of our society. It is this commitment and experience that OEO considers its greatest strength and asset. OEO's reputation within the nonprofit community as a fair and competent funder and partner is yet another source of pride and strength. Without this reputation and the faith and trust it entails, our programs would not have been able to achieve the positive outcomes and results they have enjoyed over the years.

A serious weakness of our agency is the lack of funding to respond to all of the needs of the target population of each of its three programs. This is particularly true of our ESG Program which receives no State funds and is unable with the federal ESG allocation provided annually to provide adequate funding to all qualified applicant organizations. ESG funds make up less than 10% of over 90% of individual ESG grantee budgets annually. The low administrative fee (5% of total allocation) allowed OEO by federal regulations, provides enough money to fund only one full-time staff member for the ESG Program. This person must administer the program including reviewing program pre-applications and applications, monitor all ESG grantees, monitor financial records maintained by the state, enter data in the federal IDIS system, and respond to program inquires from the general public and state and federal agencies in a timely fashion. Even with the occasional temporary assistance, the program is severely understaffed.

AIDS Care Unit

Organizational Structure

The AIDS Care Unit (ACU) administers the HOPWA Formula Grant. This Unit is housed within the following: NC Department of Health and Human Services Division of Public Epidemiology Section HIV/STD Prevention and Care Branch. The mission of the HIV/STD Prevention and Care Branch is to reduce and eventually eliminate morbidity and mortality due to sexually transmitted diseases (syphilis, gonorrhea and Chlamydia), Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS), and to assure that an up-to-date continuum of care services are available to all HIV-infected individuals residing in North Carolina.

Strengths and Gaps

The ACU views its staff and collaborative efforts as strengths to a successful HOPWA Program. Staff are familiar with the systematic processes of program administration as it relates to sub-recipient monitoring, budgeting, and rules and regulations. In addition, the Unit has alternative sources of funding to support the HOPWA program, if necessary, through collaborations with the Ryan White Program.

The ACU recognizes as a weakness, the 7% cap on administrative costs covered by HOPWA is unworkable and too low, making it difficult for project sponsors to function without proper reimbursement for fulfilling increased administrative responsibilities and attending much needed training. Underpaying administrative costs could eventually prevent organizations from applying for future funding. However, the Unit does see its review of internal processes recommending fiscal advocating for an adjustment to or increase of the 7% administrative cap as a way to overcome weakness in its housing delivery system.

COORDINATION

Coordination among agencies, nonprofits, and the private sector has become increasingly important as budgets have tightened over the last five years and organizations become more specialized in the products and services they deliver. Groups with common goals and constituents find that more can be accomplished through cooperative efforts in which the strengths of each organization and individual maximized. Towards the goal of increased coordination, the state has several housing and community development policy bodies including the Housing Coordination and Policy Council, the Interagency Council for Coordinating Homeless Programs, the North Carolina Housing Partnership, the Community Development Council, and the Economic Development Board.

Below are brief descriptions of the various organizations which coordinate activity concerning housing and community development.

Boards and Councils

All of the Consolidated Plan partners serve as members of one or more boards or councils that help coordinate policy and projects for more streamlined service to the state's citizens. Described below are the boards and councils, their missions, membership, and goals.

Housing Coordination and Policy Council
The Housing Coordination and Policy Council (HCPC) is a 15-member advisory group that was created by state statute in 1989 to strengthen cooperation among the state's housing finance and housing service providers. Its purpose is to advise the Governor regarding: the coordination of housing programs, the preparation of a comprehensive state housing plan, the best use of housing resources, and other housing-related topics. Its membership consists of representatives of various state agencies concerned with housing and services for low- and moderate-income North Carolinians and nonprofit organizations experienced with housing programs and advocacy.

Interagency Council for Coordinating Homeless Programs
The North Carolina Interagency Council for Coordinating Homeless Programs, the Interagency Council or ICCHP, was originally established by Governor's Executive Order Number 168 on May 29, 1992. The Council serves as an advisory council to the Governor and Secretary of the Department of Health and Human Services and provides information on problems and issues affecting persons who are homeless or vulnerable to homelessness. The Council is also charged with providing recommendations for joint and cooperative efforts to better meet the needs of the homeless residents of North Carolina and served as the guiding force in the development of the State's Ten Year Plan to End Homelessness.

The ICCHP consists of 29 members who are appointed by the Governor and represent nonprofit organizations serving the homeless, county and city government, public housing authorities, the private sector, the NC General Assembly, the NC Housing Finance Agency, the Office of State Planning and the state departments of Administration, Public Instruction, Commerce, Correction, Community Colleges, Health and Human Services and Juvenile Justice and Delinquency Prevention. A seat on the Council is also reserved for a representative of homeless and/or formerly homeless persons.

North Carolina Housing Partnership
The Housing Partnership is the board whose responsibility it is to oversee the use of the Housing Trust Fund. On this board sit five members appointed by the President Pro Tempore of the Senate, five appointed by the Speaker of the House, and the Executive Director of the NCHFA. This board reviews the activities and programs which utilize the Housing Trust Fund, and advise the NCHFA.

Community Development Council
The Community Development Council (CDC) is a board appointed by the Governor to work with the Division of Community Assistance on community development initiatives. The CDC is made up of local elected officials. They act as a sounding board for new policies and programs, providing insight from the local level. The CDC also advises DCA on planning issues such as the annual action plan.

North Carolina Department of Health and Human Services (NC DHHS) Housing Workgroup
The NC DHHS Housing Workgroup is a workgroup established by the Secretary of DHHS to assist with the fragmentation of housing services provided by agencies (e.g. Division of Mental Health, Office of Economic Opportunity, Division of Services for the Blind, Division of Public Health) within the DHHS. The workgroup is charged with preparing identifying technical assistance needs and strategies to assist each Division in their efforts to better serve the housing needs of their constituents.

Consolidated Plan Partners

Described below are the individual efforts of the Consolidated Plan partners to coordinate efforts with other agencies with similar goals and projects.

Division of Community Assistance
The Division of Community Assistance (DCA), the lead agency of the Consolidated Plan, has many partners in the affordable housing and community development industries. It pursues partnerships with within state government and other organizations whose mission and goals are complementary to the Division's.

One of those agencies is the North Carolina Department of Labor. The Department of Labor operates an IDA program with funding from the Assets for Independence Act (AFIA). These funds act as a match for CDBG IDA funds. Therefore, many local sites work with both agencies. Furthermore, the agencies have partnered in the past, and will continue to do so, on training and other logistical efforts.

DCA and the North Carolina School of Government have partnered since 2001 on the Community Development Academy. The Academy is a six-day intensive training workshop for local government officials and staff, nonprofits, and private consultants in the community development field. At the Academy participants are trained in CDBG regulations and requirements, as well as overall best practices in community development.

The Division also works with a variety of nonprofit groups and private consultants in day-to-day operations of community development grants. In addition to these relationships, DCA has worked with the North Carolina Rural Economic Development Center (Rural Center) on two major projects. In order to provide water and wastewater facilities to many parts of rural North Carolina that are desperate for clean water and proper wastewater facilities, DCA and the Rural Center have worked together to reach areas that otherwise financially could never afford to be served by public water and wastewater lines. While CDBG funds are tied to direct benefit of low-to-moderate income residents, Rural Center funds have lesser restrictions. There have been many successes across the state where the Rural Center will install the trunk line from the water source or neighboring utility to the needy community, and DCA will use CDBG funds to install lines in low-to-moderate income neighborhoods. A second growing partnership between DCA and the Rural Center has been in small business development. DCA and the Rural Center embarked on a partnership in 2004 to provide services to budding entrepreneurs in rural communities that had been hit hard by structural change and layoffs in the local manufacturing sector, previously a mainstay of economic stability in many rural North Carolina communities. DCA provided the bulk of the finding through CDBG, and the Rural Center is provided the majority of the technical knowledge of small business and entrepreneurship development. Once this demonstration ends in late 2005, DCA and the Rural Center will discuss ways in which this partnership can be expanded.

Lastly, as an active member of the North Carolina Community Development Association (NCCDA), DCA speaks to member organizations on how to work with the state's Small Cities CDBG program, speaks at annual conferences, and sponsors many NCCDA activities and programs.

Housing Finance Agency

The NCHFA, one of the partners in this Consolidated Plan, coordinates with many parties, private and public, for-profit and nonprofit, around the state. It works, in some aspect, with nearly every organization in this section.

Regarding Individual Development Accounts, it partners with the North Carolina Department of Labor, the IDA and Asset Building Collaborative, and various IDA programs around the state.

Regarding rental housing development, it partners with private lenders, local governments, for-profit developers, service providers, disability advocates, and state departments (specifically the Department of Health and Human Services and the Division of Community Services.)

Regarding housing rehabilitation, it partners with dozens of local governments and nonprofit organizations, as well as for-profit consultants.

Regarding home ownership, it partners with lenders across the state, with nonprofit housing developers and counseling organizations, and local governments. It has a particularly useful partnership with Advanced Energy, a building science nonprofit, which results in new affordable energy efficient homes for first-time home buyers.

It also partners with housing advocates, promoting affordable housing policy in North Carolina and nationally.

Office of Economic Opportunity
In addition to its Con Plan partner agencies, OEO consults and coordinates its activities with statewide groups representing the interests of the persons served by the programs it administers These agencies include the NC Community Action Association, the NC Coalition to End Homelessness and the NC Housing Coalition.

Over the last two years, OEO has taken steps to coordinate the State's ESG Program with ESG programs operated by the five units of local government in the state designated as ESG entitlement areas.

AIDS Care Unit

North Carolina Department of Health and Human Services (NC DHHS) Housing Workgroup
The NC DHHS Housing Workgroup is a workgroup established by the Secretary of DHHS to assist with the fragmentation of housing services provided by agencies (e.g. Division of Mental Health, Office of Economic Opportunity, Division of Services for the Blind, Division of Public Health) within the DHHS. The workgroup is charged with preparing identifying technical assistance needs and strategies to assist each Division in their efforts to better serve the housing needs of their constituents.

Supporting Agencies

North Carolina Department of Labor
The North Carolina Department of Labor (DOL) serves as the parent organization for the state's IDA program through funds from (AFIA). Many of the organizations funded by DOL through AFIA are also funded by DCA. AFIA and CDBG funds can be used as a match for each other for IDA programs, and currently AFIA provides more participant match funds while CDBG provides more administrative funds for operation of the grants. Furthermore, the agencies partner in training sessions for grantees through efforts led by DOL.

North Carolina Commerce Finance Center
The North Carolina Commerce Finance Center (CFC), also an arm of the North Carolina Department of Commerce, manages the economic development portion of the state's Small Cities CDBG distribution. The CFC is a financial center, along with CDBG as a participant, to which relocating companies and existing employers come for the articulation of the financing alternatives available in North Carolina. It is the CFC's responsibility to encourage and precipitate decisions to save and create new jobs, and to entice better paying jobs for North Carolina citizens by prospective employers. CDBG funds are used to create infrastructure or provide other incentives for employers that will create jobs for low-to-moderate income workers. DCA and the CFC work closely together for long-range planning and other economic development initiatives such as small business and microenterprise development.

MONITORING STANDARDS

Housing Finance Agency

The North Carolina Housing Finance Agency will continue the monitoring practices and standards that have served it well in recent years.

The administration of HOME funds by the State of North Carolina is carried out in accordance with all relevant statutory and nonstatutory rules and regulations. The State monitors all HOME recipients to ensure full compliance with program requirements. Monitoring procedures vary under the HOME Program by eligible activity.

In all cases, visits are used to provide technical assistance to recipients on compliance and program administration issues. Issues of compliance are also addressed during the application phase, when site and application reviews allow staff to identify ineligible projects and uses of funds.

General Compliance
Program officers assigned to individual projects are responsible for monitoring ongoing compliance with Environmental Review, Davis-Bacon, and fair housing requirements as well as specific program requirements and the certifications contained within this plan.

Home Ownership
Under home ownership programs, each home buyer's transaction is reviewed to ensure eligibility. These transactions must undergo a full underwriting prior to loan approval. HOME loans are assigned to the North Carolina Housing Finance Agency. For these loans, Agency loan servicing staff monitor the loan throughout its term for compliance with repayment and recapture requirements and restrictions.

Housing Rehabilitation
All draw requests are reviewed by Agency staff prior to the release of funds. Quarterly reports and comprehensive completion reports are also required and reviewed by Agency staff. Onsite monitoring and technical assistance visits are made to all recipients. These monitoring visits focus on compliance with all relevant state and federal regulations. In addition, staff visits are designed to help improve project efficiency and to ensure uniformly appropriate and high quality rehabilitation work.

Rental Production
These funds are typically loaned to nonprofit and for-profit developers. Loan underwriting includes a subsidy layering review. Cost certifications are received prior to permanent loan closing and reviewed by Agency staff. All projects are inspected at completion of framing and prior to the loan closing. In addition, Agency staff makes annual onsite monitoring visits. These visits are not only to check for ongoing compliance with project management, tenant eligibility, fair housing rules and other program requirements, but also to review the property’s physical condition and audit records, and to address issues of noncompliance.

Supportive Housing
These funds are loaned to nonprofit organizations and local governments.

Loan underwriting includes a subsidy layering review. Cost certifications are received prior to permanent loan closing and reviewed by Agency staff. All projects are inspected prior to the loan closing. In addition, Agency staff makes annual onsite monitoring visits. These visits are not only to check for ongoing compliance with project management, tenant eligibility, fair housing rules and other program requirements, but also to review the property's physical condition and audit records, and to address issues of noncompliance.

Office of Economic Opportunity

All ESG contractors are subject to on-going monitoring throughout the term of their contract. The primary methods of monitoring include:

- Review of mid-year and end-of-year contractor performance reports
- Review of contractor monthly financial status reports
- Periodic on-site monitoring, including review of randomly-selected case files; and
- On-going telephone contact with contractor staff

All ESG contractors are required to submit mid-year and end-of-year performance reports to the Office of Economic Opportunity (OEO). These performance reports detail the unduplicated number and characteristics of clients served by contractors during the respective reporting period. They also provide OEO with information regarding the causes of homelessness reported by program clients and, if applicable, the types of services delivered to clients by contractors. Program staff review all submitted reports for accuracy and to assure that contractors are meeting program requirements regarding average daily occupancy, service delivery and verification of client homelessness. Data collected from these individual contractor performance reports is compiled into program mid-year and end-of-the year reports. These reports are distributed to ESG contractors, the North Carolina State Office of the U. S. Department of Housing and Urban Development, members of the Interagency Council for Coordinating Homeless Programs (ICCHP), the NC Department of Health and Human Services and, upon request, to other state agencies, nonprofit organizations and the general public.

Monthly financial status reports are reviewed by program staff prior to submission to the Office of the Controller, Department of Health and Human Services for payment. Program staff reviews these forms for accuracy, appropriate expenditure patterns, and to assure that contractors are spending their allocation according to their approved program budget categories. Expenditures are checked against monthly program expenditure spreadsheets maintained by the DHHS Office of the Controller and IDIS activity reports. Errors in financial status reports are brought to the attention of contractors who are asked to submit revised reports.

On-site monitoring visits are conducted by program staff to selected contractors throughout the program year. During these visits contractor program operations are observed and facilities are toured. OEO staff review records of program expenditures to determine that all funds are being spent according to the budget approved by OEO. Randomly selected client files are examined to assure that eligible persons are being served and that one or more essential services are being provided to clients as required by program regulations. Contractor bylaws, board minutes, and personnel policies are reviewed to assure that the grantee is operating properly and in compliance with all federal regulations. Ten to fifteen percent of ESG contractors are monitored each year.

Division of Community Assistance

The North Carolina Division of Community Assistance is responsible for insuring that grantees under the CDBG Program are carrying out their projects in accordance with Federal and State statutory and regulatory requirements set forth in the grant contract executed between the State and the grantee. The Division of Community Assistance will provide maximum feasible delegation of responsibility and authority to grantees under the CDBG Program. The Division's monitoring of CDBG grantees will be conducted in a positive, assistance-oriented manner. Whenever possible, deficiencies will be rectified through constructive discussion, negotiation and assistance, and in a manner which preserves local discretion.

The Division of Community Assistance will conduct two basic types of monitoring: off-site, or "desk" monitoring, and onsite monitoring. Desk monitoring is an ongoing process in which the Division grant representative responsible for overseeing the grantee's project uses all available information within files housed at the Division to review the grantee's progress and performance in carrying out the approved project. On-site monitoring is a structured review conducted by the grant representative with the project administrator at the location where project activities are being carried out and/or where project records are being maintained. Checklists are utilized to ensure that all issues are addressed. Documentation is gathered in order to support our conclusions in response to the grantee. The number of times a project is monitored varies upon the issues that arise during the desk and onsite monitoring.

AIDS Care Unit

The AIDS Care Unit (ACU) is required by the Division of Public Health to monitor the programmatic and fiscal responsibilities of all HOPWA Project Sponsors', subcontracted agencies. Based on the contractual agreement, the scope of work outlines the performance monitoring measures for HOPWA Project Sponsors. This includes the following:

- Submission of quarterly reports to the AIDS Care Unit (ACU) detailing qualitative and quantitative activities.

- Attendance at mandatory meetings sponsored by the ACU.

- Submission of a yearly program questionnaire detailing HOPWA activities. This information must be submitted to the HOPWA Administrator [by a date to be determined] for submission to HUD as part of the State's HOPWA Integrated Disbursement Information System (IDIS) reporting requirements.

- Site visits to the agency.

- Review of monthly contract expenditure reports and monthly detailed expenditure reports.

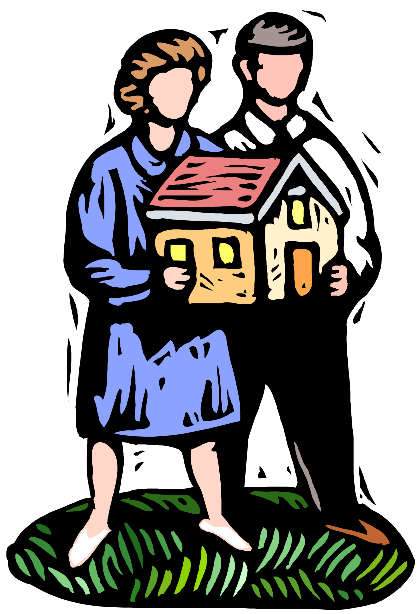
- Additionally, performance monitoring will be based on the timely submission of quarterly reports, monthly expenditure reports with supporting documentation, program questionnaires and attendance at mandatory meetings.

Performance monitoring is documented for each Project Sponsor in writing and maintained in an agency notebook.

Performance Measures

In accordance with CPD Notice 03-09, the Consolidated Plan partners, represented by the Division of Community Assistance as the lead agency, have been working towards a method of quantifiable performance measures to assess the accomplishments of all four Consolidated Plan programs. The Council of State Community Development Agencies (COSCDA) has been working with the federal Office of Budget and Management (OMB), the United States Department of Housing and Urban Development (HUD), and other stakeholders to develop ideal performance measures that are specific and measurable while still flexible enough to be applied universally across the country. DCA staff has served on an internal working group within COSCDA to provide feedback during the formulation process for these performance measures. It is the intent and plan on all four North Carolina state Consolidated Plan partners to utilize the uniform performance measures once they are adopted and released by HUD and OMB. Furthermore, the partners acknowledge the HUD Interim Update on Performance Measurement memorandum dated October 28, 2005, and plan to adhere to its guidelines as necessary.

NORTH CAROLINA HOUSING MARKET ANALYSIS AND NEEDS ASSESSMENT



NEEDS ASSESSMENT EXECUTIVE SUMMARY

Over the last few decades North Carolina has made tremendous strides improving its housing stock and addressing development needs across the state. The state has significantly lowered the number of households lacking plumbing facilities since the middle of the 20th century, and housing conditions are generally improved for many citizens. However, dire housing and community development needs still exist statewide while newer concerns, particularly the cost of decent housing for low-income residents, are becoming more prominent.

North Carolina has 3.1 million occupied housing units; 69.4% of them are owner-occupied, and 30.6% are renter-occupied. North Carolina's housing stock has increased dramatically since 1990, with roughly one-fourth of the units built in the 1990s.

During this time period North Carolina's population has increased dramatically; between 1990 and 2000 the state gained 175,000 renter households (an increase of 22%) and 494,000 owner households (an increase of 25%). Renter household growth outstripped the growth in the rental housing stock, while the growth in the owner housing stock kept up with the growth in owner households.

More than 80% of the housing stock is comprised of single-family detached houses and mobile homes. Mobile homes comprise 16% of the total stock, 17% of the owner-occupied stock, 14% of the renter-occupied stock, and 14% of the vacant stock.

Both renter and owner housing costs have been increasing in the last decade, even after adjustment for inflation. In real dollars, between 1990 and 2000 median gross rent in North Carolina increased by 8.8%. Median owner housing costs for households with mortgages increased by 14% in real dollars, and the median costs for households without a mortgage increased by 5%. Sales prices have increased by 18.5% in real dollars over the five-year period 1998-2003.

Lack of reliable data on the state's homeless population has hampered efforts by state and local governments to design effective housing and service programs for the population. Currently, there are two different sources of data on the state's homeless population—a statewide point-in-time count that was conducted on December 15, 2003 and the total number of homeless persons served by shelters receiving Emergency Shelter Grants funding. On December 15, 2003, almost 10,000 homeless families and individuals were counted, 13% of which were children. Over the last fiscal year, ESG-funded shelters served over 45,000 homeless families and individuals. Twenty-two percent were children.

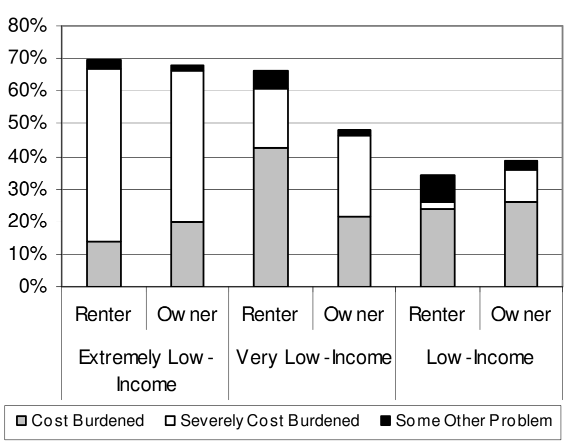
According to the 2000 Census, over 358,000 renter households (or 37.4% of all North Carolina's renter households) had a housing problem (meaning these households pay more than 30% of their income for housing, and/or they live in overcrowded housing units, and/or they have incomplete plumbing or kitchen facilities). For 84% of the renter households with housing problems (over

302,000 households), one of the problems is cost.

Over 497,000 owner households (or 22.9% of all North Carolina's owner households) had a housing problem in 2000, according to the 2000 Census. For 21.2% of the owner households with housing problems (or over 460,000 owner households), one of the problems is cost.

The populations in which the highest percent of the households have housing problems are extremely low-income (ELI) and very low-income (VLI) renters, and ELI owners (Figure N.1.01). Extremely low-income (ELI) means the household earns less than 30% of the median income for its area. Very low-income (VLI) means the household earns between 30% and 50% of the median income. Low-income (LI) means the household earns more than 50% of the median income but no more than 80% of the median income.

Figure N.1.01: ELI Renters and Owners and VLI Renters have highest percents of the population with problems.



Certain populations have special housing needs, due to age, disability, or other special circumstance. Over forty percent of elderly renters and 23% of elderly owners have housing problems. Roughly 30% of those with problems also have a mobility or self-care limitation that may require housing modifications. The aging baby-boom population will require an increase in affordable rental housing for the elderly, as well as increased accessibility improvement to existing housing.

There are also shortages of housing affordable to individuals with disabilities. Many receive SSI payments, which are insufficient for the recipient to afford housing. In 2003, an average efficiency apartment cost more than 250% of what a person receiving SSI could afford, and a one-bedroom apartment cost more than 300%.

Because the majority of the data used to analyze housing needs was collected in 1999, at a time of greater prosperity for the state, it is expected that the needs have not decreased in the past five years.

The state is currently experiencing large numbers of foreclosure cases (compared to previous decades), and it is also likely to experience increased foreclosures in the future as interest rates climb. Climbing interest rates will make it more difficult for current renters to become homeowners, and will likely result in a strengthening (and increasingly unaffordable) rental market.

In addition to the need to increase and improve the physical stock of housing across the state, the infrastructure necessary to support residential dwellings is also expected to require significant investment over the next few decades. It is estimated that \$13.7 billion for capital improvements and expansion in water and wastewater treatment will be required to keep up with growth across the state.

While the state has addressed much of the housing stock lacking adequate plumbing and wastewater facilities in recent years, the lack of public infrastructure to address these needs is still a major concern in many areas across the state. Unsanitary conditions due to lack of proper wastewater methods have led to public health and environmental dangers for many of our state's poorest residents. Without proper funding, it is financially infeasible that most of these areas could be supplied with public sewer and/or water facilities. In those areas, especially in the western part of the state, where topography and other factors make public sewer and/or water provision extremely difficult, alternative wastewater systems may be needed.

As the state's economy has encountered a structural shift from a primarily manufacturing and agricultural base to one focused on service industries, economic and community development will need to be addressed in more non-traditional ways. Efforts at increasing the state's human and educational capital will be instrumental in meeting the economic and housing needs of low-income residents.

In the next five years, North Carolina is likely to need more rental assistance, new construction of affordable rental housing, and rehabilitation and/or preservation of existing affordable housing—particularly to increase affordable housing opportunities to those earning less than 30% of median family income. Without increased availability of funding for rent assistance, it is unlikely that the state's current resources will be able to meet the state's most critical housing needs.

DEMOGRAPHICS

Topics:

- Physical Characteristics and Regional Differences
- Population Growth
- Age
- Race and Ethnicity
- Persons with Disabilities
- Population with HIV/AIDS
- Severe Mental Illness, Developmental Disabilities, and Substance Abuse

Highlights:

- 21.4 Percent Population increase from 1990- 2000
- Pronounced Rural to Urban shift since 1970
- Median age 35.3 (at 2000 census)
- Dramatic rise in the number of Hispanics
- 5 counties in which more than 5% of the population receive SSI
- HIV/AIDS rate higher in economically disadvantaged areas
- 322,000 residents with mental, emotional, or behavioral disorders
- 748,000 residents with substance abuse problems

Introduction

Population characteristics and trends are important in assessing a state's housing needs. An examination of past demographic trends, coupled with a forecast of future growth, is important to the planning process. Recently released data from the U.S. Census Bureau from the 2000 Census, as well as other sources, are utilized in this analysis.

North Carolina's population underwent significant changes during the 1990s. The state's population became more urban and older, and North Carolinians are more educated now than they have ever been. This evolution coincided with an economic boom during the 1990s that increased the real incomes of many North Carolinians. However, these changes were not universal across the geographic landscape, and many counties in North Carolina have not prospered and grown with their neighbors.

Physical Characteristics and Regional Differences

North Carolina covers 52,669 square miles with a diverse landscape. Just as states differ in their housing and community development needs based upon geography and other circumstances, regions and counties within states have different needs. Because of its location in the Appalachian Mountain Range, Western North Carolina offers a mild climate and an admired natural setting. Yet, while its rural character is seen as an asset, living in the Mountains has its drawbacks. Poor topography causes housing construction costs to be higher than other regions in the state and makes it difficult to construct the roads and infrastructure some expect would bring higher paying jobs to the area. Furthermore, a recent influx of in-migrants, primarily retirees, has been moving to the North Carolina mountain region with a demand for higher priced housing, limiting the availability of land and contractors for more affordable home construction. Therefore, families with low-to-moderate incomes are unable to purchase most housing in the area.

While the western part of North Carolina is the most rural and has the lowest population density of the three regions, the Piedmont region in the central part of the state contains the majority of the state's population. Most of the state's urban centers – Charlotte, Durham, Greensboro, Raleigh, and Winston Salem – are located there. Unlike the Mountain Region, the Piedmont has seen unprecedented economic growth over the past several years, but at a cost. Unbridled suburban sprawl has become a hot issue in the central part of the state, as quality of life has deteriorated in the name of economic prosperity. Realizing that there is little sign of the region's growth slowing anytime soon, the state must be prepared to not just grow but also grow wisely.

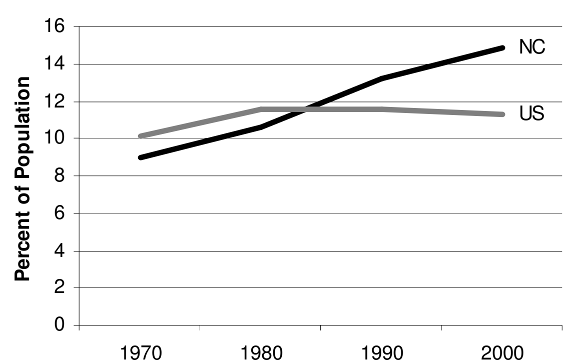
The coastal region of North Carolina can be divided into two regions – the narrow coastline along the Atlantic Ocean and the rural counties between the coast and Interstate 95. While growth in the coastal region has been concentrated along the ocean, agriculture continues to be a prominent industry and the area maintains a distinctly rural character. The Coastal Region has many of the same problems that are plaguing the Mountain Region, particularly a lack of high-wage industries. Another important factor is the impact that hurricanes have had on the region's housing stock.

Population Growth

During the last decade, North Carolina's population grew at a rate faster than the nation's to just over 8 million residents in 2000 (an increase of 1.42 million residents). The 21.4 percent rate of population growth for North Carolina from 1990-2000 (the national rate was 13.2 percent) is the third highest in state history and the highest since 1930. In 2004 the North Carolina population is estimated to be 8,634,777. This rapid population increase has had many dramatic effects on our state, such as increasing urbanization and ethnic diversity. Natural increase was a substantial factor in North Carolina's population increase. From 1991-2000 there were 1,067,527 live births and 649,693 deaths.

However, a more significant component of the meteoric rise in North Carolina's population during the 1990s was in-migration. Figure N.2.01 displays the percentage of North Carolina and U.S. residents five years of age or older that lived in a different state five years earlier for the years 1970-2000. While the national rate has been relatively static (meaning that the rate nationwide for persons moving to a new state in the previous five years has not changed dramatically in the last three decades), a sharp increase in North Carolina's rate of in-migration occurred, growing from 8.9 percent of the state's population in 1970 to 14.8 percent in 2000.

Figure N.2.01: North Carolina is experiencing high immigration.



As North Carolina's population has grown, the state has become increasingly urbanized[9]. While over 60 percent of North Carolinians lived in rural areas in 1970, by 2000 over 60 percent of North Carolinians were defined as urban. The transition of population from rural to urban is a national phenomenon, though North Carolina is urbanizing at a much faster rate than the United States. During this period, the percentage of population in the United States that was defined as urban increased from 73.6 percent to 79 percent, while in North Carolina the urban percentage jumped from 39.1 percent to 60.2 percent.

While statewide population is increasing at a rapid rate, the growth has not been evenly distributed. Figure N.2.02 displays population growth by county during the 1990s. All of the counties, except Dare, that experienced the most population growth since 1990 surround metropolitan areas. The western part of the state saw relatively modest population growth over the last decade. North Carolina's northeastern corner experienced the smallest population increase in the state during the 1990s, with three counties (Bertie, Edgecombe, and Washington) reporting a slight decrease in their populations from 1990-2000.

Figure N.2.02: Population growth is not spread evenly across North Carolina.

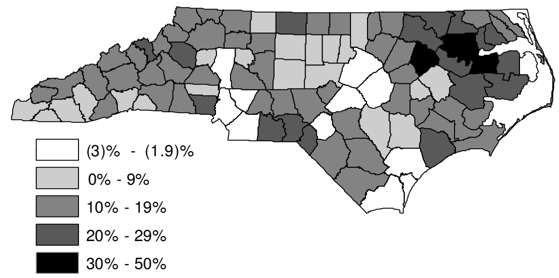


Figure N.2.03 displays the thirteen counties with the highest rates of out-of-state in-migration from 1990-2000. In other words, as a total percentage of the population, the counties listed in figure N.2.03 had the highest rates of residents that did not live in North Carolina five years previous. Alongside those numbers is data on the percentage of the county's labor force that is employed directly in the armed forces, the median household income, and the county's median age.

Figure N.2.03: Counties with the most out-of-state in-migration have large military presences, high incomes, or old populations.

County	In-migrants as % of population	Labor Force in Armed Forces		Median Household Income		Median Age	
		percent	rank	income	rank	age	rank
Onslow	39.6	26.5	1	33,756	54	25	100
Cumberland	27.7	14.1	2	37,466	33	29.6	99
Craven	23.8	9.2	3	35,966	40	34.4	87
Mecklenburg	23.7	0	98	50,579	3	33.1	90
Wake	22.5	0.1	66	54,988	1	32.9	91
Orange	22.4	0.1	71	42,372	9	30.4	95
Currituck	22.1	1.7	9	40,822	15	38.3	40
Dare	21.6	0.5	22	42,411	8	40.4	18
Durham	21.4	0.1	95	43,337	5	32.2	93
Macon	20.6	0.2	54	32,139	63	45.2	2
Clay	19.4	0.5	20	31,397	66	46.7	1
Transylvania	17.8	0.1	64	38,587	28	43.9	5
Polk	17.5	0.3	37	36,259	39	44.9	3

Source: U.S. Census Bureau, 2000

[9] For Census 2000, the Census Bureau classifies as "urban" all territory, population, and housing units located within an urbanized area (UA) or an urban cluster (UC, a new definition in 2000). Census definitions of urban territory and urban population have changed throughout the years; data are not exactly comparable but similar enough to compare basic trends. In this needs assessment the Census 2000 definition is the definition of "urban" used. In the strategic planning section, "urban" refers specifically to CDBG entitlement areas.

Some striking correlations are evident from this table. The three counties with the highest rates of out-of-state migration, Onslow, Cumberland, and Craven, are also the top three counties in North Carolina for the percentage of the labor force in the armed forces. This type of transient population will greatly influence the housing needs of these counties. The high wages found in counties such as Durham, Mecklenburg, and Orange help drive the housing market there. While attracting such high-wage industries and their earners has certainly led to economic growth and development, it has also priced many in the service and government sectors out of reasonable housing options. Workforce housing (housing affordable to the workers that provide vital services to the community) is a need to be addressed in these areas. Finally, many of the mountain counties such as Macon, Transylvania, and Polk are seeing large numbers of retirees settle in their counties. This has driven up the price of housing at a rate faster than incomes, limiting the availability of land and contractors for affordable home construction. Furthermore, the mountain counties have experienced a shift in their industry base from higher-wage manufacturing to service sector jobs that pay lower wages. Therefore, the mountain region is also suffering from a shortage of workforce housing, but for a reason different than that found in the state's urban areas.

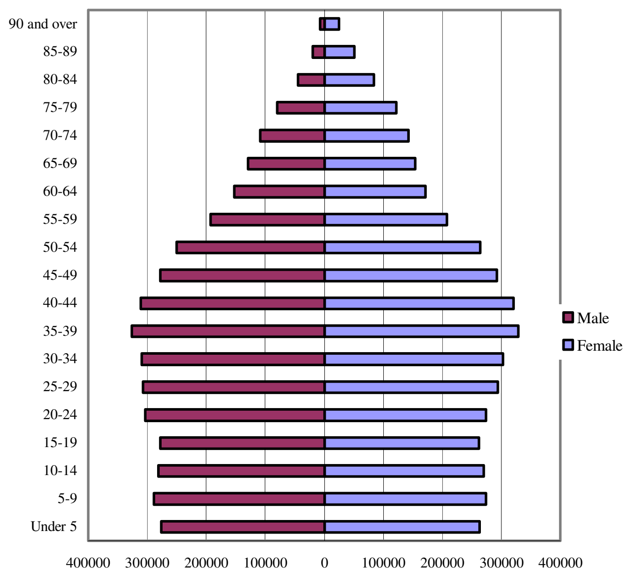
While population growth is a catalyst for economic growth and development, there are also many drawbacks to explosive growth, especially in regard to the housing needs of low-to-moderate income residents. Housing prices can jump dramatically as demand due to in-migration outpaces construction. Furthermore, long-time residents in a growing area can face a heavy tax burden as their property is revalued at a rate that grows faster than household income. Environmental threats can occur as open space is diminished altering eco-systems and wildlife corridors; water and air pollution tend to increase due in part to increased run-off from construction and greater numbers of commuters. Educational systems can become strained from a rapid increase in the number of students moving into a school system, faster than the system can accommodate them.

Age

The median age of a population is an indicator of future housing demands. A higher median age is reflective of an older population, one with differing housing needs. The median age of North Carolina residents in 2000 was 35.3, the same as for the United States, and the highest it has ever been. North Carolina's median age has been rising steadily since at least 1970 in a fashion similar to that of the country as a whole; in 1970 North Carolina's median age was 26.5, the United States' median age was 28.1. An aging population is going to demand greater medical and special needs services, as well as housing that can accommodate the needs of the elderly.

Figure N.2.04 is an age/sex pyramid for North Carolina based on 2000 Census data. This pyramid displays the number of males and females per age cohort. The largest cohort is of persons in the 35-39 age range. With most North Carolinians fully into middle age, their housing needs are going to reflect the general desires of that population group.

Figure N.2.04: North Carolina's male population is slightly younger than its female population.



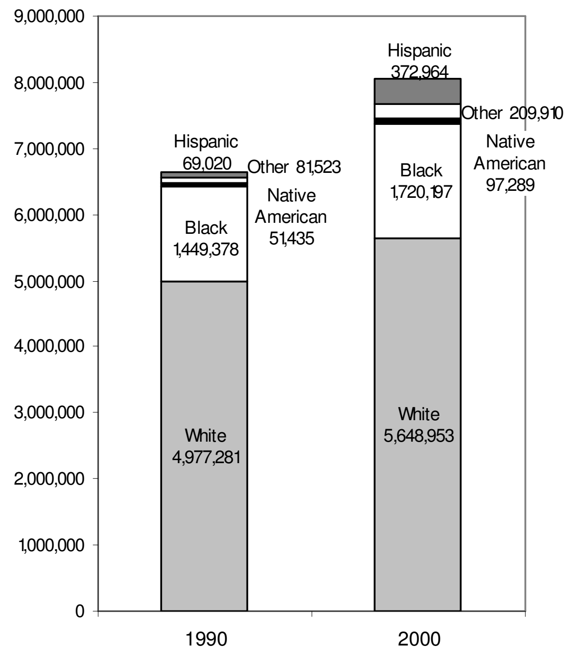
Source: U.S. Census Bureau, 2000

Of further note, the cohort of North Carolinians entering the workforce, those ages 20-24, have a much larger proportion of men than women. There are 10.4 percent more men in this age cohort than women. Furthermore, males outnumber females in all groups under 35 years of age. Conversely, females outnumber males in all groups 35 years of age and older.

Race and Ethnicity

North Carolina experienced increased racial and ethnic diversity during the 1990s. Because the census bureau redefines racial classifications for each census, temporal studies of racial data are problematic. However, some general trends can be deduced. While the proportion of whites in North Carolina has been decreasing, the percentage of Asians and Pacific Islanders and those who classify themselves as 'other' has seen significant increase over the past 30 years[10]. The black population has remained relatively stable proportionally in North Carolina, and a small increase in the percentage of American Indians is also seen.

Figure N.2.05: North Carolina's "Hispanic" and "Other" populations have increased.



Source: U.S. Census Bureau, 1990 & 2000

The most dramatic change to the racial and ethnic makeup of North Carolina's population has been the dramatic rise in the number of Hispanics in our state. From 1980, when persons of Hispanic origin were first counted by the Census, to 2000, the percentage of North Carolina's population that was of Hispanic ethnicity jumped by over 600 percent. This increase is evident graphically in Figure N.2.05, which shows the population of North Carolina

[10] The sharp increase in the 'other' category in 2000 is most likely due to the ability of responders on the census forms to classify themselves as 'more than one race', an option not previously available.

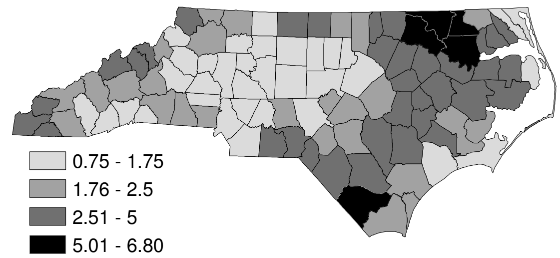
in 1990 and 2000 by race[11]. However, despite that surge, persons of Hispanic ethnicity still represented only 4.7 percent of North Carolina's population in 2000, compared to 12.5 percent nationwide. Housing providers, developers, and advocates need to remain aware of the differing needs of our housing delivery systems for this culturally distinct and growing population.

Persons with Disabilities

Those residents of North Carolina with disabilities or additional needs are particularly vulnerable and face acute housing needs. The housing needs of these populations are discussed later in this document. Often faced with discrimination, poor facilities or simply priced out of the market, those with disabilities require the most targeted programs for housing delivery.

The persons identified in the Census as being disabled are not precisely the same persons commonly considered disabled in the disability-services community or the affordable housing community. An alternative measure of disabled person counts is the number of people collecting Supplemental Security Income (SSI) for disability purposes. Figure N.2.06 maps the percent of population by county that is currently receiving SSI benefits for disability in 2002.

Figure N.2.06: SSI recipients with disabilities are located disproportionately in eastern and certain mountain counties.



A general pattern regarding SSI distribution is evident from Figure N.2.06. First, the largest concentration of counties with a high percentage of the population receiving SSI is in the Northeast portion of the state, with the Southeastern portion of the state also experiencing a large percentage of its population receive SSI. Finally, a smaller concentration is seen in the counties along the Tennessee border. The pattern of SSI recipients mirrors that of poverty rates across the state (see the Economy section for further details).

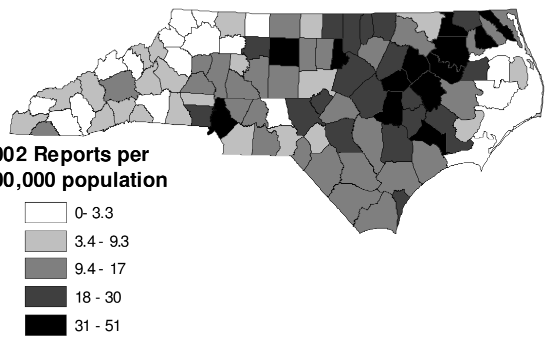
Population with HIV/AIDS

Providing housing for the state's HIV/AIDS population is problematic. Persons living with HIV/AIDS often suffer from discrimination and housing development for this population must regularly deal with NIMBY battles at the local level. In addition, AIDS-related service provision and health care must be nearby, which can cause logistical difficulties.

Figure N.2.07 maps the number new reports of persons with HIV/AIDS per 100,000 people by county for 2002.

[11] The categories of 'White', 'Black', 'Native American', and 'Other' are of Non-Hispanics only. Asians, Native Alaskans, Pacific Islanders, and persons of two or more races are classified as Other in this chart.

Figure N.2.07: Certain areas of state have higher percents of the population living with HIV/AIDS than other areas.



Higher concentrations of new reports of HIV/AIDS are seen in the Eastern part of the state than in the West. Also, many urban counties such as Durham, Guilford, and Mecklenburg are experiencing high numbers of HIV/AIDS reports. However, the numbers of newly reported cases of HIV/AIDS are also very high in many rural counties in the Northeastern part of the state, such as Bertie, Gates, and Edgecombe counties.

According to preliminary results from a survey of 600 people living with HIV/AIDS[12], the median income of survey respondents was only 75% of the poverty level (or $577 per month). Many respondents were receiving disability income, including 36% who received Social Security Disability Insurance (SSDI) and 35% who received SSI. Only 22% were getting paid to work.

Severe Mental Illness, Developmental Disabilities, and Substance Abuse

According to the North Carolina Department of Health and Human Services (DHHS) [13], approximately 322,000 residents of this state suffer from a mental, emotional, or behavioral disorder that impairs with at least one life activity. That figure accounts for 5.4 percent of the state's adult population. Of those residents, 99,000 are estimated to be suffering from severe and persistent mental illness. Furthermore, DHHS estimates that ten to twelve percent of the state's children experience serious emotional disturbance. In addition, DHHS estimates that over 130,000 North Carolinians have developmental disabilities.

An even more startling figure released by DHHS deals with substance abuse. It is estimated that 748,000 adults in North Carolina suffer from a substance abuse problem. That means that one in every eight adults in North Carolina must overcome a substance abuse problem in addition to all other issues in their daily lives.

Due to restructuring of the state mental health institutional system, many of these residents will face new housing challenges in the near future. State housing providers must be aware of the special needs and service delivery requirements for both the adult and minor populations suffering from severe mental illness. As services for those with a mental illness, developmental disability, or substance abuse problem decentralize, coordination between housing and service providers is critical to program success.

[12] Preliminary data from a survey conducted in as a part of the North Carolina HIV/AIDS Housing Plan

[13] State Plan 2004, North Carolina Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse

ECONOMY

Topics:
- Historical Perspective
- Employment
- Impact of Layoffs in Manufacturing Employment on Rural Counties
- Income
- Poverty
- Unemployment
- Educational Attainment
- Tier 1 and Tier 2 Designations, State Development Zones, and 21st Century Communities
- Impact of Natural Disasters on the Economy
- Impact of Economic Development on the Environment

Highlights:
- Shift from manufacturing to technology and service economy
- Employment growth in Urban areas and decline in Rural areas
- Median Household Income of $39,184. in 1999 (32nd in U.S.)
- Large income gaps between "whites" and "minorities"
- And between women and men
- 12.3% poverty rate
- Unemployment rate of 5.8% (June 2004)

Introduction

While the North Carolina economy grew at enormous levels during the 1990s, it was also hit hard by the recession of the early part of the new millennium. That recession made obvious the dual economy in the state, one where metropolitan areas continue to grow and prosper based on growth industries such as technology and banking, but economic decline is seen in rural areas as traditional industries continue to move cheaper labor markets, often overseas.

There are also many positive aspects to the changes in the state's economy. The Research Triangle is rated as one of the best places in the nation to do business and is most favorable to entrepreneurs. The state has a dispersed network of small cities, a healthy overall business climate, a strong transportation system, a renowned university and community college system, advanced technology resources, and a high quality of life. North Carolina is a growing, prosperous state well positioned to take advantage of opportunities for a better future for its citizens. The current growth, however, is not evenly benefiting all citizens. Even in regions that appear to be thriving, disparities are evident, while other areas are experiencing severe distress. The United States Census Bureau provides the majority of data demonstrating these tendencies[14].

Historical Perspective

Fifty years ago, North Carolina was a largely rural state, highly dependent upon agriculture. State leaders, recognizing the state's economic needs, embarked upon a period of rapid growth and development. Major investments were made to address four critical needs: 1) roads and other infrastructure, 2) an advanced system of technical colleges for worker training, 3) a renowned university system, and 4) a first-class industrial recruitment program. This

[14] Data not obtained from U.S. Census is cited.

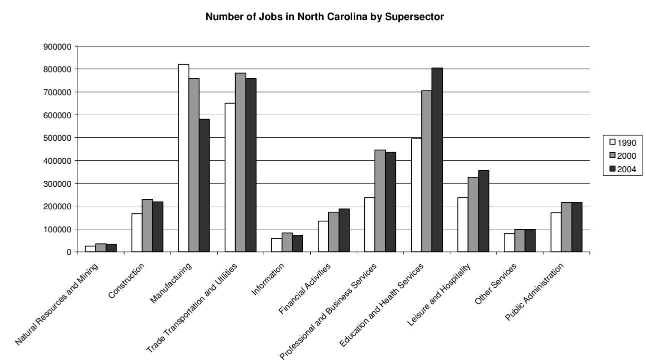
strategy worked well for the state. North Carolina moved from an agriculturally oriented economy to the most manufacturing intensive state in the nation. By 1997, North Carolina led the nation in percentage of labor force in manufacturing. North Carolina became the model that other Southern states sought to emulate. North Carolina had arrived, but in the 1990s changes in the structure of the economic base began.

Manufacturing employment began to shrink as plants moved out of state and sometimes out of the country in search of cheaper labor. In order to remain competitive, those companies that did remain reduced their workforce at an alarming rate. While short-term concerns existed due to this structural change, North Carolina saw an opportunity to diversify its economic base in other employment sectors, such as retail and service. However, most of the new industries were locating in or near urban centers; rural regions lost manufacturing jobs, and did not gain other employment opportunities to replace them. Furthermore, studies have shown that the new jobs gained in the service industry often pay lower wages and provide fewer, if any, benefits to employees (such as health care) that residents have come to expect from their employers.

Employment

In 2003, approximately 3,720,000 people were employed in North Carolina. However, the dynamics surrounding those jobs has changed dramatically in recent years. Figure N.3.1 displays the number of employed persons by NAICS super sector for 1990, 2000, and 2003. Though the total number of jobs statewide has grown by over 640,000 since 1990, the number of manufacturing jobs in the state decreased by 218,000. Most super sectors lost employment from 2000 to 2003, but service-related super sectors such as financial services, education and health services, and leisure and hospitality gained employment.

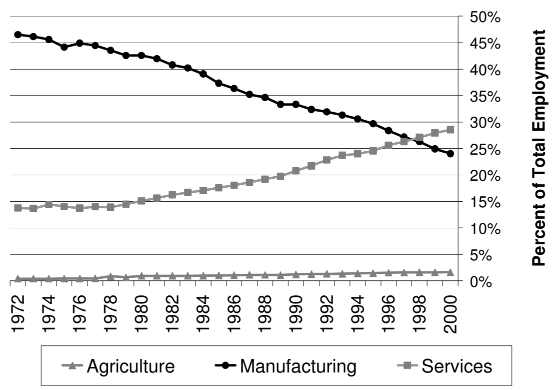
Figure N.3.01: In North Carolina, manufacturing is in decline while many other sectors are growing.



Source: North Carolina Employment Security Commission

The shift of North Carolina's economy from a manufacturing to a service-related economy is even more apparent when looking at longer-term trends. Figure N.3.02 displays the share of employment in North Carolina in three sectors: agriculture, manufacturing, and services. The share of employment in manufacturing in North Carolina has been steadily decreasing since the early 1970s; manufacturing employment share increased for only two years during this 28 year time period. Conversely, employment share in the services sector has increased every year since 1978. In 1998, the share of North Carolina employment in the services sector surpassed that in the manufacturing sector for the first time, and has remained the predominant sector since.

Figure N.3.02: North Carolina's Economy is shifting from manufacturing to service-related industries.



Source: North Carolina Employment Security Commission

According to the N.C. Department of Commerce, the service and trade industries are expected to add the most jobs over the next decade. Within the service sector, health, business and educational services are the three industries expected to display the greatest increase. Business, health and educational services account for 68% of the projected increase in the service sector and 44% of all projected growth in total employment for all sectors. Business services include such fast growing industries as employment and temporary help agencies, and computer programming firms. The projected increase in employment for hospitals is the largest component of health services. The predicted growth in school age population and the increasing enrollment in post secondary education are major contributors to the growth in education services. Eating and drinking establishments should show the greatest expansion within the trade sector; they are expected to increase at a pace of 3.3% annually (compared to a 1.9% annualized growth rate for the trade sector), and account for 48% of the projected growth in the sector.

Impact of Layoffs in Manufacturing Employment on Rural Counties

The dramatic decrease in manufacturing has not had as profound an impact on urban centers as it has on rural areas, many of which are highly economically dependent upon manufacturing. As former Governor Hunt noted when he created the Rural Prosperity Task Force in 1999, "North Carolina is on the verge of becoming two North Carolinas: one part urban and thriving, and the other part rural and struggling." Urban areas have the ability to rebound through other employment sectors, but rural areas are at a considerable disadvantage because they lack the education, training, and infrastructure to draw other employment opportunities besides manufacturing.

By 1999, nearly two-thirds of the manufacturing job losses affected rural workers. Some counties had already experienced layoffs of more than 5% of their manufacturing workforce. Others have more than 15% of their workers still involved in traditional manufacturing jobs – those that are most vulnerable to plant closings and layoffs. Still others are heavily dependent on our threatened agricultural economy. Without a strong, proactive retraining effort, rural North Carolina is a vulnerable link in our economy[15].

Income

According to 2000 U.S. Census figures, in 1999 the Median Household Income in North Carolina was $39,184, ranking it only 32nd in the country; the national average was $41,994. In addition, North Carolina's per capita income was measured at $20,307, 28th in the nation; $1,280 less than the national average of $21,587. Although the state has

[15] Rural Prosperity Task Force Report, pp. 44-45

improved from its 1990 median household income ranking of 37th ($26,647), there is considerable room for improvement, particularly among minorities and in poorer regions of the state.

Income as it Relates to Race

Figure N.3.03 displays the 2000 median household income for North Carolina by race of householder. This table clearly shows that African Americans, American Indians, and those classified as Other have median incomes that are significantly lower than their Caucasian counterparts. The Black median household income was $14,685 less than that for Whites, and $21,652 less than that for Asians in North Carolina. It has been well documented throughout the U.S. that certain minorities typically fare worse than whites in household income for a variety of reasons, whether it is a lack of education, poor job skills, or racism. "Income gaps reflect complex social, cultural, and economic factors that affect educational levels, occupational choices, and ultimately household income."[16] One of the roles of the Consolidated Plan partners is to determine the causes of these inadequacies, how they affect the differing needs of these groups for housing, and begin to remedy them.

[16] Pollard, Kelvin, and O'Hare, William. America's Racial and Ethnic Minorities. *Population Bulletin*, Vol.54, No. 3, September 1999.

Figure N.3.03: White and Asian households have the highest incomes in North Carolina.

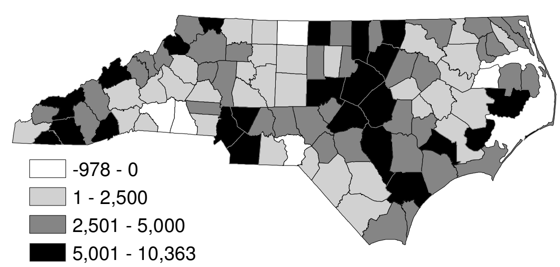
Race of Householder	2000 Median Household Income
Asian	$49,497
White	$42,530
Native Hawaiian or Pacific Islander	$37,778
Two or more races	$32,149
Other (only one race)	$31,147
American Indian or Alaska Native	$30,390
Black	$27,845
All Households	$33,242

Source: U.S. Census Bureau, 2000

Income as it Relates to Location

Besides racial disparities, regional differences in incomes within the state also exist. Figure N.3.04 maps median household income growth by county. Based on this data it is evident that income growth in the state is centered around metropolitan areas, particularly the Triangle and Charlotte. Other, more rural parts of the state, such as the Southwest, Northeast, and Southeast, have been left out of the economic prosperity seen in the rest of the state.

Figure N.3.04: Income increase 1990-2000 (in 2004 dollars) is not spread evenly across state.



Source: U.S. Census Bureau

Income as it Relates to Gender

Data from the 2000 Census shows that in North Carolina the median earnings per male resident was $26,812, while for women the median earnings were $18,619. According to the study, "Equal Pay for Working Families: National and state Data on the Pay Gap and Its Costs", a woman earns an average of $431 a week, compared to $579 for men. On an annual basis, that wage gap translates to more than $7,500. Minority women do even more poorly than white women, earning an average of only $369 a week. Most noteworthy is the impact the pay disparity has on single mothers, who are the most susceptible to poverty. If single mothers earned the equivalent as men at the same job, they would earn $4,459 more a year, cutting their poverty rate in half, from 25.3 percent to 12.6 percent[17]. Income level deviations by gender need to be understood and taken into account when designing appropriate housing programs for specific target groups, such as single parents, across the state.

Statistics of income by gender are directly related to labor force participation by gender. The ability of workers to find full-time employment directly affects the type of housing they will be able to provide for their families. Participation in the workforce remained majority male in 1999 in both North Carolina and the United States. In North Carolina, 56.5 percent of full-time workers (35+ hours per week) were male. This is slightly below the national rate of 57.9 percent, showing that women in North Carolina participate in the labor market more than women in the nation as a whole. Part-time work in 1999 was the domain of female workers, however. In 1999, 63.1 percent of part-time workers in North Carolina were women, nearly the same rate as that for the nation (63.3 percent).

The fact that the North Carolina and national workforce are majority male is further reflected in data regarding employment status by family type[18]. Figure N.3.05 details the percentages of the labor force by family type[19].

Figure N.3.05: In 81.8% of the households comprising the labor force, the male householder is in the labor force.

	North Carolina	United States
Married Couples	77%	76.7%
Husband in labor force	76.3%	75.2%
Only husband in labor force	16.9%	17.3%
Wife also in labor force	41.8%	40.3%
Wife in labor force, not husband	5.4%	5.2%
Other Families	23%	23.3%
Male householder, no wife	5.5%	6%
Female householder, no husband	17.5%	17.3%

Source: U.S. Census Bureau, 2000

Overall, the labor force participation of North Carolina households mirrors the nation. Married residents of North Carolina participate in the labor force at a slightly higher rate than the national rate, while non-married residents participate in the labor force at a lower rate. Furthermore, single parent families are more than three times more likely to be headed by a working female (17.5 percent) than a working male (5.5 percent.

Income as it Relates to Tenure

Figures N.3.06 and N.3.07 below list the number and percent of households by income classification and housing tenure.

[17] The Labor Educator, "Working Women". Vol. 8, No. 2., April 1999.

[18] The census bureau defines a family as "a group of two people or more (one of whom is the householder) related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family." Therefore, this indicator does not include unmarried people who reside together or households raising non-related children.

[19] Percentages in table are of total number of families, except for the percent in labor force of male householders, no wife and female householders, no husband. For these two rows, the number represents the percentage of those families where the householder is in the labor force.

Figure N.3.06: Households in 1990

	Owner		Renter	
	number	%	number	%
0-30% MFI	141,148	8.1%	172,914	22.0%
31-50% MFI	153,503	8.9%	123,842	15.8%
51-80% MFI	265,312	15.3%	177,805	22.7%
Over 80% MFI	1,172,692	67.7%	309,882	39.5%

Source: U.S. Census Bureau, HUD Special tabulations, 1990

FigureN.3.07: Households in 2000

	Owner		Renter	
	number	%	number	%
0-30% MFI	165,360	7.6%	209,649	21.9%
31-50% MFI	183,942	8.4%	155,164	16.2%
51-80% MFI	338,978	15.6%	218,830	22.8%
Over 80% MFI	1,483,978	68.3%	375,525	39.2%

Source: U.S. Census Bureau, HUD Special tabulations, 2000

As might be expected, renter households in North Carolina, on average, had lower incomes than homeowners. A much higher percentage of all renter households in 2000 earned less than 50% of the area median income (38.1%) than of owner households (16%). Moreover, 60.8 percent of all renters had incomes at or below 80 percent of the area median income while only 31.7 percent of owners had incomes below that limit.

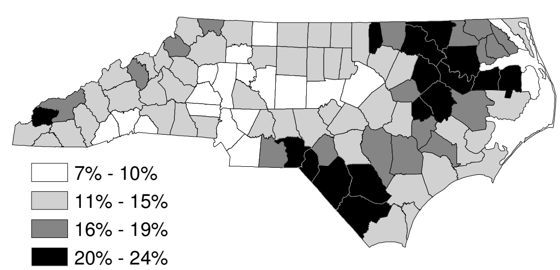
Comparing the two charts, one notices that the percentages changed very little over the past decade. While the raw numbers increased in every category, due primarily to population growth in the state, the percentages of households moving from lower income to moderate income or into homeownership was very low. In fact, the percentage of households that owned their own home in 1990 in North Carolina was 68.8 percent, and rose only slightly in 2000 to 69.4 percent.

Poverty

Income is a good, but imperfect, indicator of the economic health of a region. Qualitative reports indicate that in the last few years many areas have been moving to a trend of a dual economy; one in which the economic distance between those with financial means and those struggling to survive is getting wider. One measure of the number of people having difficulty making ends meet is the poverty rate.

The poverty rate for North Carolina in 1999 (based on 2000 Census data) was 12.3 percent. However, that rate was not equal across the state. Figure N.3.08 displays the poverty rate by county for North Carolina in 1999. It is clearly evident from the map that there are three pockets of overwhelming poverty in the state. The first two are in the Northeast and Southeast corners of the state, though not along the coast. Most of the counties in these regions have more than 21 percent of their population in poverty. The third, and of least magnitude, are the counties along the Tennessee border. The lowest rates of poverty are in the state's metropolitan areas. Though even these metropolitan counties have up to 15 percent of their population living below the poverty level, compared to the rest of the state the levels of poverty are quite low.

Figure N.3.08: Certain pockets of the state have extremely high poverty rates.



Source: 2000 Census

Poverty as it Relates to Race
Statewide, in 1999, the lowest rate of poverty by race was among whites, at approximately 8.4 percent. All other races had higher rates of poverty: blacks (22.9 percent), Native Americans (21.0 percent), Asians (10.1 percent), Pacific Islanders (15.1 percent), and all others (25.3 percent). Though these rates are quite high for a number of racial categories, all saw decreases from 1989 to 1999, with the greatest decreases in the poverty rate occurring for Asians (decrease of 4.9 percent) and blacks (decrease of 4.2 percent). However, the poverty rate for Hispanics increased from 1989 to 1999, (from 19.2 to 25.2 percent).

Though the decreases in the poverty rate are certainly a positive development, there are still many families across the state in dire poverty. Furthermore, current and pending cuts in state and federal funding for housing for those in poverty makes future service provision more difficult and the need to devise inventive ways to address the concerns all the more paramount.

Family Structure and Poverty
Families with children are disproportionately affected by the daily struggles of poverty. Over half of the families in North Carolina living below the poverty level were single parents with children (52.2 percent). These families will have certain needs that must be addressed by our state's housing providers.

Age and Poverty
Of the more than half a million elderly persons[20] in North Carolina, 12.6 percent were living in poverty in 1999. While it is not a surprise that persons over age 65 have lower incomes, due to retirement, it is how much lower the income is that is so disturbing. There is a clear indication that social security, Medicare, and retirement investments are not keeping pace with the needs of North Carolina's older population.

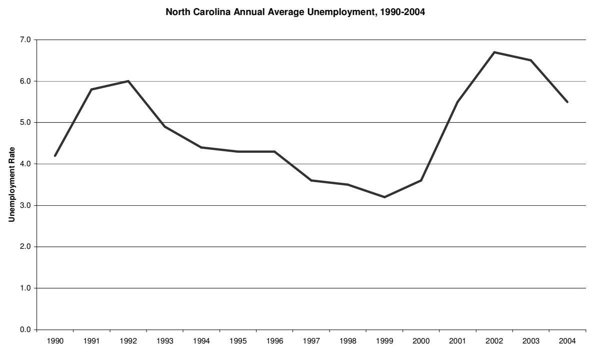
The percentage of children living in poverty in North Carolina is actually higher than that of the elderly. In 1999, 15.9 percent of children in North Carolina between the ages of 0 and 17 were below the poverty level. Though relatively high, this is an improvement from the rate of 19.6 percent reported in 1995.

Unemployment
A good measure of the health of an economy is its unemployment rate. The latest unemployment figure available from the North Carolina Employment Security Commission shows the statewide unemployment rate to be 5.0 percent in April 2005[21]. Figure N.3.09 displays the annual North Carolina unemployment rate from 1990-2004. Since the recent highs in 2001 of approximately seven percent, the unemployment rate has remained relatively modest; in historical terms, an unemployment rate of between five and six percent is considered low and as recent as twenty years ago would have been an ideal goal. However, three considerations must be taken into account before concluding that this data is indicative of a positive economic situation in the state.

[20] Defined as those aged 65 and older

[21] Not Seasonally Adjusted

Figure N.3.09: Unemployment is high but decreasing.



Source: North Carolina Employment Security Commission

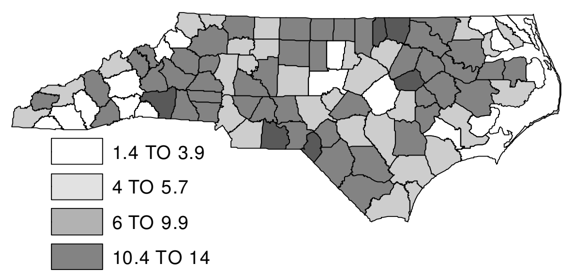
First, qualitative data provided by local housing and community development leaders has shown that the low unemployment rate is due at least partly to an increasing amount of the potential labor force "giving up" looking for employment and resigning from the workforce. Those that do not actively seek employment are not counted in the unemployment rate, leading to an undercount that is growing according to local service providers. Second, though service-related jobs may be replacing manufacturing jobs, those jobs often pay much less and provide fewer benefits, lowering the purchasing power of families across the state. The wages that many dislocated workers in North Carolina receive upon re-hiring is substantially less than what they previously earned[22]. Finally, unemployment is not evenly distributed across the state. There are wide variations in the unemployment rate dependent upon location.

[22] Source: Dislocated Workers in North Carolina, Aiding Their Transition to Good Jobs, North Carolina Justice and Community Development Center

Unemployment as it Relates to Location

Figure N.3.10 maps the unemployment rate by county for the most recent data available (April 2005). As shown, the unemployment rate varies considerably statewide (from a low of 1.4 percent in Currituck County to a high of 14 percent in Vance County). The highest unemployment rates are concentrated in areas that have shown other indicators of economic decline; the Northeast and Southeast portions of the state (except along the coast) and also portions of the Piedmont that have historically focused on manufacturing for its labor base.

Figure N.3.10: Unemployment is spread unevenly around the state.



Source: North Carolina Employment Security Commission, April 2005

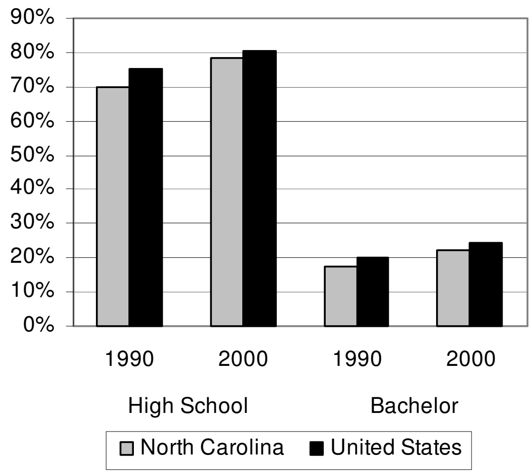
Educational Attainment

The education of the workforce is key to shaping its abilities and the success of the economy it drives[23]. An uneducated workforce will have difficulty attracting the kinds of industries that produce quality, high-wage jobs. Likewise, a workforce that has lower educational achievement will have greater difficulty adjusting to structural changes in the

[23] Educational attainment is an important but imperfect tool for assessing the skill level of an area's workforce. Educational attainment does not take into account vocational skills and abilities learned through apprenticeship and on the job training.

economy that have been seen in many parts of our state. Education has been of particular importance as the manufacturing base of the economy shrinks and employment gains are seen in high-tech and service industries.

Figure N.3.11: North Carolina residents have less education than the nation's residents.



Source: U.S. Census Bureau, 1990 & 2000

Figure N.3.11 shows the percentages of residents 25 years of age and older that have earned a high school diploma (or equivalent) and a bachelor degree in North Carolina and the United States in 1990 and 2000. As shown, the educational attainment of North Carolinians rose significantly over the past decade. Over 78 percent of the state's residents aged 25 and older in 2000 had earned a high school diploma, and over 22 percent of North Carolinians in this age group had earned a bachelor degree. While both figures lag behind that of the U.S. (80.4 and 24.4 percent, respectively), North Carolina is catching up with the nation in educational attainment. One question that these figures immediately draw out is whether the graduation numbers are due to improving achievement of the state's young people or whether they are due to a disproportionate number of educated in-migrants moving to North Carolina.

Tier 1 and Tier 2 Designations, State Development Zones, and 21st Century Communities

In 1996 North Carolina passed the William S. Lee Act designed to attract companies to distressed areas of the state through the use of tax incentives. In order to target distressed cities and counties, the state established State Development Zones for cities and a Tier System for counties. Counties are re-categorized annually from 1 to 5 using a formula based upon unemployment rates, income, and population growth, with Tier 1 being the most distressed, and Tier 5 being the least distressed counties.[24] A development zone was defined as an area comprised of one or more contiguous census tracts, census block groups, or both with the following conditions: 1) located in whole or in part in a city with a population of more than 5,000, 2) having a population of 1,000, and 3) more than 20% of its population below the poverty level. Businesses choosing to locate in counties designated Tier 1 and Tier 2 counties were eligible for higher tax credits than those locating and investing in higher Tier 3, 4, and 5 counties.

In addition to the tier and state development zone designations, in 2001 the North Carolina Department of Commerce launched the 21st Century Community program. This program provides counties, and the municipalities within those counties, awarded with this label access to department services for

[24] These categorizations are posted on the Department of Commerce website (June 13, 2005 the tiers were posted at http://www.nccommerce.com/finance/tiers).

strategic economic planning and priority funding for economic and community development projects. The first round of grantees was awarded in 2001. A subsequent second round was announced in 2004, with a third round of designees awarded in 2005.

Impact of Natural Disasters on the Economy

Natural disasters are usually thought of as major storms that devastate the physical and social fabric of a region. And though that is the case, especially as North Carolina has seen its share of hurricanes and ice storms in recent years, other forms of natural disaster, such as drought, can also have a profound effect on the state's economy.

In 2003 and 2004 North Carolina experienced a series of storms that, while not on the scale of Fran in 1996 or Floyd in 1999, did have a measurable impact on our state's economy. In 2003 Hurricane Isabel struck the western part of the state, wreaking devastation in fifteen counties from the Tennessee border to Charlotte. A minimum of 1,041 homes received at least minor damage from the storm, with 347 of those completely destroyed[25]. A further 86 homes were deemed inaccessible due to standing water or a destroyed bridge or road. In addition, 455 businesses were damaged, creating an economic as well as a public service dilemma for the state and affected counties and municipalities.

North Carolina experienced a spate of storms in 2004, and not just in the eastern part of the state. In 2004, 4,619 primary residences received at least minor damage from storms Frances and/or Ivan[26]. The majority of the households affected by the storm were of low-income. Furthermore, there were significant business losses due to these storms. The damage force brought by Hurricane Alex damaged 155 businesses in Dare and Hyde counties, and Hurricane Alex damaged 65 businesses in the southeastern part of the state.

Though primary relief agencies such as the Federal Emergency Management Agency (FEMA) are assigned primary responsibility for cleanup from such natural disasters, the funding they provide rarely can rebuild the homes and lives of the community's poorest residents. It has fallen on community development agencies to assist in picking up the pieces, by providing housing and economic assistance, wrought by these terrible occurrences and help people put their lives back together.

Impact of Economic Development on the Environment

While economic prosperity has enriched the lives of many families in North Carolina, there are consequences to growth. Urban sprawl can have severe environmental, public health, and sociological consequences. Though difficult to measure, some indicators are available that can document these effects.

Between 1992 and 1997, rural land in the state was developed at a rate of 18 acres per hour, ranking it fifth in the nation in the number of acres converted

[25] Source: North Carolina Division of Emergency Management

[26] Only primary residences. Source: North Carolina Division of Emergency Management

(781,600 acres) over this time period[27]. Between 1978 and 1997, the number of farms in N.C. dropped by 40%. Since 1997, the state has lost more than 5,000 more farms and over 300,000 acres of farmland[28]. Between 1983 and 2003, North Carolina lost 1.9 million acres of open space, and is expected to lose another 2.4 million acres by 2022[29]. The loss of farmland and open space due to development can cause environmental degradation due to increased pollutants and runoff, as well as have a negative impact on public health due to lack of public recreation space.

Public health officials have also been concerned in recent years about Americans' increasing dependence on the automobile for transportation, rather than methods that encourage exercise. In the ten-year period from 1989 to 1998, the number of vehicle miles traveled in North Carolina grew twice as fast as the population (population increased 15% and vehicle miles traveled increased 37%).[30] The increased miles lead to increased commute times. The median commute length for both North Carolina and the United States is between 20 and 24 minutes. However, the percent of workers whose commute is 25 minutes or greater increased from 29.4 percent in 1990 to 36.5 percent in 2000. Increased commute times is a possible indicator of increased stress on the lives of workers and their families as well as environmental problems due to larger road patterns and increased fuel emissions. In 2002, there were 50 smog days due to ground-level ozone pollution, and a total of 602 (63 more than the 539 occurrences in 1999) ozone violations statewide[31].

[27] Source: Natural Resources Conservation Service
[28] Source: *U.S. Agricultural Census*
[29] Source: North Carolina Public Research Interest Group
[30] Sources: N.C. Department of Transportation; N.C. Office of State Planning
[31] ibid

HOMELESSNESS

Topics:
- Who is Homeless?
- Tabulation of Homeless Needs
- Inventory of Homeless Facilities
- The Sheltered Homeless
- Homeless Individuals
- Homeless Families with Children
- Racial Breakdown
- Non-sheltered Homeless
- Homeless Subpopulations

Highlights:
- Fifty of NC's 100 counties have no shelter for the general homeless population.
- There are a minimum of 182 emergency shelters in the state according to a 2005 inventory of housing facilities for the homeless.
- The 132 facilities receiving ESG funds in FY 2004 served 45,031 homeless people.
- Of the homeless people served in FY 2004 by ESG funded facilities, 20% (9,199) were children ages 0 to 17 years of age.
- Of the 4,728 homeless families served in FY 2004 by ESG funded facilities, almost 90% were headed by women only.

Overview and Analysis of Homeless Needs in North Carolina
This section discusses the needs of individuals and families who are homeless or threatened with homelessness. It includes the sheltered and unsheltered homeless as well as homeless subpopulations.

Who is Homeless?
The most commonly used definition of homeless is the one found in the federal McKinney-Vento Homeless Assistance Act. This definition states that a homeless person is one who is:

- sleeping in places not meant for human habitation, such as cars, parks, sidewalks and abandoned buildings;
- sleeping in emergency shelter;
- living in transitional or supportive housing after having originally come from the streets or an emergency shelter;
- staying for a short period (up to thirty days) in a hospital or other institution but who would ordinarily be sleeping in one of the above places;
- being evicted within a week from a private dwelling; or
- being discharged within a week from an institution in which the person has been a resident more than 30 consecutive days without having an adequate place to live in subsequent to discharge.

Inventory of Homeless Facilities
An inventory of emergency shelters, transitional housing and permanent supportive housing for the homeless was conducted by the Office of Economic Opportunity (OEO), Department of Health and Human Services and NC Housing Finance Agency in preparation for this five-year Consolidated Plan (See Appendix E). This inventory revealed that 19 of the state's 100 counties had no housing facilities of any type for the homeless. The remaining 81 counties have one or more types of housing for homeless people. Forty-seven of these 80 counties have only emergency shelter beds and in 31 of these counties the only type of emergency shelter available is designated for victims of

Figure N.4.01: Statewide inventory of homeless facilities for homeless individuals, families, and subpopulations.

Homeless and Special Needs Populations

Continuum of Care: Housing Gap Analysis Chart

		Current Inventory	Under Development	Unmet Need/ Gap**
Individuals				
Beds	Emergency Shelter	2980*		1162
	Transitional Housing	2088		1213
	Permanent Supportive Housing (Units)	861		3252
	Total	5929		5627
Persons in Families With Children				
	Emergency Shelter	1988*		900
	Transitional Housing	1817		712
	Permanent Supportive Housing (Units)	282		1111
	Total	4087		2723

*Assumes that 60% of existing shelter beds (4968) are for individuals.
**Unmet Need based on Housing Activity Charts in Exhibit I, 2005 Continuum of Care submissions in North Carolina.

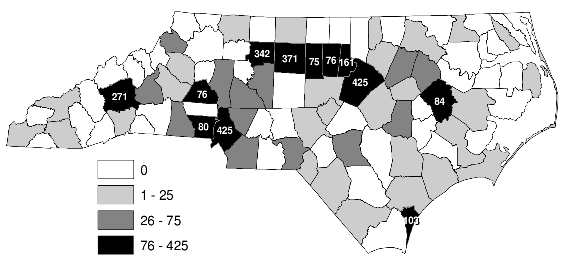
Continuum of Care: Homeless Population and Subpopulations Chart*

Part 1: Homeless Population	Sheltered		Unsheltered	Total
	Emergency	Transitional		
1. Homeless Individuals	2045	1112	1545	4702
2. Homeless Families with Children				
2a. Persons in Homeless Families with Children	749	804	177	1730
Total (lines 1 + 2a)	2,794	1916	1,722	6,432

Part 2: Homeless Subpopulations	Sheltered Indiv.	Sheltered Fam	Unsheltered	**Total**
1. Chronically Homeless	1389			
2. Seriously Mentally Ill	1431	239		
3. Chronic Substance Abuse	3049	362		
4. Veterans	1012	35		
5. Persons with HIV/AIDS				
6. Victims of Domestic Violence	448	695		
7. Youth	79			

*Based on January 26, 2005 Statewide PIT Count domestic violence and/or sexual assault only. Fifty counties of the state's 100 counties then have no shelter for the general homeless population. Figure N.4.01 depicts the statewide inventory of homeless facilities for homeless individuals and homeless families as well as homeless subpopulations. It shows that although there are 5,929 beds for homeless individuals, there is a need for 5,627 more. Also, although North Carolina currently has beds for 4,087 people in homeless families, it needs 2,723 more for this population.

Figure N.4.02: The state's metropolitan counties have the highest average daily occupancy of ESG-funded shelters.



Further examination of the inventory reveals that 18 of the 80 counties have emergency and transitional housing, but no permanent supportive housing. One county has transitional housing only and three counties have only emergency and permanent supportive housing. Only 12 counties in the state have emergency, transitional and permanent supportive housing units for homeless persons – Alamance, Buncombe, Cumberland, Durham, Forsyth, Guilford, Haywood, Mecklenburg, New Hanover, Pitt, Wake and Watauga. Except for Watauga County, all of these 12 counties are generally thought of as metropolitan areas.

According to the homeless facilities inventory, there are 4,968 emergency beds for homeless persons provided by 182 emergency shelters in the State.
In terms of transitional housing, the homeless facilities inventory shows that there are 3,905 beds of transitional housing in the State, including 2,088 (53%) beds for individuals and 1,817 (43%) beds for families.

The facilities inventory also shows that there are 1,143 units of permanent supportive housing in the State, including 861 (75%) units for individuals and 282 (25%) units designated for families.

The Sheltered Homeless
Much like other states, there is no definite count of the number of homeless persons in North Carolina. The State's Interagency Council for Coordinating Homeless Programs (ICCHP) has guided the development of a statewide Homeless Management Information System. However, the Carolina Homeless Information System, or CHIN, is not scheduled to begin operation until July of 2005. It is believed that CHIN will provide a more definitive count of the state's homeless population and the population's characteristics and needs when fully operational.

In the meantime, there are two other sources of information which can provide data on the state's homeless population. These sources include annual performance reports submitted by those organizations and units of local government that receive balance-of-state Emergency Shelter Grants (ESG) Program funding and an ICCHP sponsored point-in-time count conducted in January of 2005.

Homeless Individuals
In FY 2004, 132 ESG-funded facilities for the homeless in 53 counties reported serving a total of 45,031 homeless people. Facilities funded included 24-hour emergency shelters, day-only shelters, night-only shelters, domestic violence shelters, transitional housing facilities, youth facilities and interfaith hospitality networks. It should be noted that in those counties where more than one organization was funded, there is the

possibility that some persons were counted by more than one facility. This would occur when a homeless person or family sought shelter and/or services from more than one facility in the same county in the program year. Of the total homeless people served (45,031), 68% were single male and female adults. Sixty-eight percent (20,746) of all single individuals served were male adults. Of those single male adults served, 68% were ages 31 – 55. Of those 9,726 single female adults served, 52% were ages 31-55. Seventy-six percent of the 2,626 single adults ages 55 and over served by FY 2004 ESG grantees were male.

The NC Interagency Council for Coordinating Homeless Programs (ICCHP) has sponsored a point-in-time count for the last two years. The 2005 count was held on January 26 with homeless people counted in 92 counties of the state. On the count date, a total of 11,165 homeless persons were reported. Of the total people counted, 1,662 were residing outside on the count date, 2,794 were in an emergency shelter, 1,916 were in transitional housing, 167 were jailed, 48 were hospitalized and the residence of 59 persons counted was identified as "Other." The residence of 4,459 people counted was not reported. Of the 11,165 persons counted, 68 % (7,642) were single individuals, adult males and females. Seventy percent of the single individuals served were identified as male adults. The age of those single individuals counted was not reported.

The dominance of male adults among homeless single individuals has remained consistent over the last seven years of ESG Program operation. While the number of homeless single females served by ESG grantees increased 14% from FY 1998 to FY 2004, the number of adult single males reported served increased 20% from FY 1998 to FY 2004.

Homeless Families with Children

Homelessness is a devastating experience for families. It disrupts virtually every aspect of family life, damaging the physical and emotional health of family members, interfering with children's education and development and, frequently, resulting in the separation of family members. The scarcity of family shelters in the State causes a good number of homeless families to seek temporary shelter with friends, other family members, in their vehicles or in parks or campgrounds.

In FY 2004, the 132 balance-of-state ESG-funded facilities reported serving 4,728 families. These families included 5,360 adults and 9,199 children. Of the adults in families served 88% (4,705) were females. Adult males in families numbered 561 or only 10% of total adults in families served. Of the 9,199 children in families served, 49% were males and 51% were females. Fifty-four percent (4980) of children in families served were age birth through 5 years. The remaining 46% (4,219) were ages 6 through 17 years.

The January 26, 2005 point-in-time count identified 933 families with 3,523 members. Of total family members counted, 119 (3%) were identified as male adults, 29% were identified as female adults. Male children accounted for 30% and female children accounted for 27% of family members served. The gender of 285 children and 80 adults in families was not reported.

Of the 3,523 members of homeless families identified in the January 26, 2005 point-in-time count, 749 were in emergency shelters, 804 were in transitional housing, 33 were incarcerated, one was hospitalized and the residence of 10 people was identified as "Other." A total of 177 family members counted were reported as residing "outside."

The type of residence of 1,749 persons counted was not reported.

Racial Breakdown of Sheltered Homeless
Although minorities comprise approximately 29% of North Carolina's population (2000 U.S. Census), they made up almost 62% of the 45,031 people served by ESG grantees in FY 2004. African-Americans totaled 23,761 or 53% of total people and 87% of minorities served. People of Hispanic or Latino ethnicity made up almost 5% (2,284) of the total people served and 9% of minorities served. A total of 361 Native American/Alaskan Natives and Asian/Pacific Islanders and 741 persons whose race was identified as "Other" were reported as served by ESG grantees during FY 2004. People in these racial categories made up 3% of the total persons served. The race of 802 (2%) people served was reported as 'Unknown." A total of 16,324 Whites, or 37% of the total number of persons served, used a homeless facility operated by an ESG grantee in FY 2004.

The race of people counted in the January 26, 2005 point-in-time count was not reported.

Non-sheltered Homeless
Homeless people have various reasons for not seeking shelter in a conventional emergency facility. Some are denied access to a shelter because no bed space is available or they may have been suspended or banned from a shelter due to violations of the shelter's code of conduct. In some areas, as previously discussed, there may be no emergency shelter in a particular area or the only emergency shelter may be designated only for a specific subpopulation of the homeless, such as the victims of domestic violence/sexual assault. Other homeless people may not seek shelter because they do not like shelter rules and restrictions. In these situations, homeless people find shelter in makeshift camps in wooded areas, under bridges or overpasses, in abandoned or condemned buildings, abandoned vehicles or literally on the streets.

Fifteen percent of the 11,165 people counted during the point-in-time count of January 26, 2005 were unsheltered. Of these 1,722 unsheltered people, 90% (1,545) were single individuals. Of these single individuals, 22% (59) were single females, 77% were single males and 1% was youths under the age of 18. The gender of an additional three adults and 23 youth was not reported under single individuals.

Family members comprised 10% (177) of the unsheltered persons reported by the point-in-time count. Of these family members, 100 (57%) were children, 59 (33%) were adult females and 10% (18) were adult males.

The residence of 4,459 (40%) of the 11,165 homeless people reported in the point-in-time count was not identified.

Homeless Subpopulations

Persons with Severe Mentally Illness
National studies have indicated that about a third of people who are homeless have a serious mental illness. Aggressive outreach is often needed to bring these individuals into the service delivery system. Once engaged, homeless persons with a mental illness usually need a wide range of psychiatric and social support services. Structured, supportive permanent housing is needed to establish stability and acquire the skills of independent living so that these individuals have the best possible opportunity to maintain their lives within their home community.

FY 2004 ESG grantees reported that 3,888 (9%) of individuals served in FY 2004 self-reported mental illness as their primary cause of homelessness. Fifteen percent (1,670) of those counted in the point-in-time count were identified as having a mental illness while 27% reported they had no mental illness. Of the 1,670 point-in-time individuals with mental illness, the majority (86%) were single individuals.

Persons with Alcohol and Other Substance Addictions
Alcohol and substance abuse addictions have propelled large number of persons into homelessness. Still others have developed patterns of alcohol and substance abuse as a way of coping with life as a homeless person. Many believe that untreated substance use disorders may well be the primary contributing cause of homelessness in the country.

People with alcohol and other substance addictions require a full array of comprehensive services including treatment, transitional and halfway houses for both individuals and family members and affordable permanent housing with appropriate and consistent after care.

In FY 2004, ESG grantees reported that 8,392 (19%) of the homeless people they served self-reported alcohol and/or substance abuse as the primary cause of their homelessness. Thirty-one percent (3,411) of the total people counted in the 2005 point-in-time count reported having an alcohol other substance use disorder. Of this number, 90% were single adult individuals.

Persons with Dual Diagnosis (Mental Illness and Substance Use Disorder)
People with dual disorders are difficult to outreach and serve because their needs are often so complex. Unable to conform to the rules and structure of generic homeless facilities or mainstream treatment programs, many are more comfortable living on their own in isolated camps or on the streets. Some homeless people who have been dually diagnosed may be well served by a Safe Haven model. This type of facility provides access to shelter and services without the demand of total sobriety for admission expected by most shelters. Residential treatment programs, as well as transitional programs, halfway houses and permanent, affordable rental housing with ongoing supportive services is also needed by this subpopulation of the homeless.

A total of 2,236 homeless people served by the 133 ESG-funded facilities in FY 2003 reported having both a mental illness and a substance use disorder.

Chronically Homeless
The U.S. Department of Housing and Urban Development defines a "chronically homeless" person as an unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more, or has had at least four episodes of homelessness in the past three years. as those people who have a disability and have been homeless for at least one year, or experienced four episodes of homelessness in three years. In an effort to maximize federal resources available to local communities in North Carolina, the State's Ten Year Plan to End Homelessness will focus initial efforts on federal priorities regarding people who have experienced chronic homelessness. This will entail improving the access of the chronically homeless to safe, permanent, affordable housing and coordinated support services.

The 2005 point-in-time count identified 1,389 (12%) of the 11,165 individuals counted as chronically homeless. Adult males made up 81% of the people identified as chronically homeless.

Persons with HIV/AIDS
Lack of affordable housing is a critical problem facing an ever-increasing number of people living with Acquired Immunodeficiency Syndrome (AIDS) or other illnesses caused by the Human Immunodeficiency Virus (HIV). People with HIV/AIDS may lose their jobs because of discrimination or because of the debilitating effects of the disease and subsequent hospitalizations. They may also find their incomes drained by the high cost of health care, especially medications.

Data from a survey of persons living with HIV/AIDS is currently available. The survey was conducted by AIDS Housing of Washington in conjunction with the creation of the North Carolina HIV/AIDS Plan 2004.

Of the over 600 survey respondents, one-third had experienced homelessness, many for more than one month. If this trend applies to the entire HIV/AIDS population, then of the estimated 28,000 persons living with HIV/AIDS in North Carolina 9,333 would have experienced homelessness at some point.

Some studies indicate that the prevalence of HIV among homeless people can be as high as 20% with some subpopulations having much higher incidences of the disease. Further, it has been estimated that 36% of people with AIDS have been homeless since learning that they had the disease and that up to 50% of people living with HIV/AIDS are expected to need housing assistance of some kind during their lifetimes[32].

Less than 1% of the homeless people served by the FY 2003 ESG grantees reported HIV/AIDS as the primary cause of their homelessness.

Victims of Domestic Violence
Although domestic violence shelters provide necessary and immediate shelter for the victims of domestic violence, such shelter is temporary and in such demand that clients are often allowed to stay no more than 30 – 60 days. Women with children are often give priority in admission to domestic violence shelters. However, this results in some battered single women living in general population shelters or on the street and, thus, left even more vulnerable to continued homelessness or to a return to an abusive situation. Lack of affordable housing and transitional housing and impossibly long wait lists for public housing provide few viable choices for most victims of domestic violence.

A total of 8,693 (19%) victims of domestic violence were served by the 133 FY 2004 ESG-funded homeless facilities. Forty-three of the 132 facilities were domestic violence centers. Ten percent (1,143) of the people identified in the 2005 point-in-time count were identified as victims of domestic violence. Of these 304 (27%) were children. Approximately 60% of the reported victims of domestic violence identified by the point-in-time count were members of families.

Youth
Homeless youth are individuals under the age of 18 who lack parental, foster or institutional care. Causes of youth homelessness include disruptive home situations including physical, emotional and/or sexual abuse, family member addiction or parental neglect and/or strained relationships with parents and/or guardians. Residential instability can also contribute to youth homelessness. A history of foster care can lead to homelessness at an earlier age. Some youth living in foster care

[32] Robbins, Greg and Fraser, Nelson. Looking for a Place to Be: A Report on AIDS Housing in America, 1996. Available from AIDS Housing of Washington, 2025 First Ave., Marketplace Towers, Suite 420, Seattle WA 98121-2145; 206/448-5242.

or in institutional or residential settings are released with no housing or income support. Few homeless youth are housed in emergency shelters because of lack of shelter beds for youth or shelter admission policies which do not allow male youth, particularly those 13 years of age and over, to be served. This policy is particularly devastating to families and can cause a family to resist entering the shelter system.

The ESG Program has not collected data to date using a methodology that differentiates between accompanied youth and unsheltered categories. But, FY 2003 ESG grantees reported serving a total of 587 youth who identified themselves as a runaway, a victim of child abuse and neglect or as a juvenile delinquent who had been asked or who decided to leave their home. Seventy-nine homeless youth were counted in the point-in-time count on January 26, 2005.

Veterans

Veterans comprised 8% (3,614) of the total persons served by FY 2004ESG grantees. Male veterans far outnumbered female veterans served by the ESG-funded homeless facilities. Indeed, 3,462 (96%) of all veterans served were male. Those ages 31-55 were the most represented age group among veterans served. This was true of both male and female veterans.

Of the 1,047 veterans identified by the 2005 point-in-time count, 982 (94%) were male and 65 (6%) were female. Of the total veterans counted, 1012 or 97% were single individuals and 3% (35) were female.

The most effective programs for homeless and at-risk veterans are community-based, vet helping vet programs. These programs feature transitional and permanent supportive housing that supplies the camaraderie of living in a structured, substance-free environment with fellow veterans.

Elderly

In FY 2004, 2,760 homeless people ages 55 and over were served by ESG-funded facilities. This represents 6% of the total number of homeless people served. Of this number, 2,007 (73%) were single adult males, 619 (22%) were single adult females, 118 (4%) were adult females in families and 16 (1%) were adult males in families. The 2005 point-in-time count did not collect data on the elderly homeless.

The elderly homeless are of poorer health, often lack family support and have little financial resources. Currently there are no shelter facilities in North Carolina that specialize in serving the elderly homeless. Congregate facilities which can provide affordable rents, meal service, medical treatment, transportation, mental health services and benefits counseling are needed to serve this particularly fragile subpopulation of the homeless.

Persons at Risk for Homelessness

Poverty is the single most common bond among the homeless. Households living in poverty comprise the communities that homeless individuals and families transition out of and back into. Although the analysis of homeless sub-populations is important for the planning and delivery of appropriate services, it is also important to recognize the sheer number of households that are vulnerable to homelessness.

Individuals returning to their communities from various institutional facilities without adequate discharge planning constitute another population at risk of homelessness. For example, in FY 2004, 1,278 (3%) of the homeless people served by ESG-funded facilities cited their release from prison as the primary cause of their homelessness. Upon their release from incarceration, many ex-offenders find that their prison record makes it difficult to obtain employment or housing. Sex offenders, in particular, find employment and housing difficult to secure. The point-in-time count identified a total of 545 homeless persons who had been discharged from prison.

People discharged from substance use disorder treatment programs and/or health care facilities can also face a higher risk of becoming homeless. The 2005 point-in-time count reported that 555 of the homeless people counted had been discharged from treatment programs and 213 had been discharged from health care facilities.

HOUSING OVERVIEW

Topics:
- Housing Stock
- Housing Market
- Current Housing Needs
- Future Housing Needs
- Additional Housing Needs

Highlights:
- 391,931 of the units are vacant
- 65% of stock is single family detached units
- Median year of construction for existing stock is 1978
- 37,800 units lack complete kitchen facilities
- 37,100 units lack complete plumbing
- From 1990 to 2000 North Carolina gained:
  - 174,725 new renter households
  - 493,603 new owner households
- During the same period, housing costs increased:
  - 8.8% for renters
  - 14% for homeowners
- 22.9% of owner households and 37.4% of renter households had a housing problem at the time of the 2000 census
- Extremely Low-Income, Very Low Income and Low-Income, owners and renters are much more likely to have housing problems
- Minorities are more likely to have housing problems
- 12% of Population is elderly From 1990 to 2000 North Carolina gained:

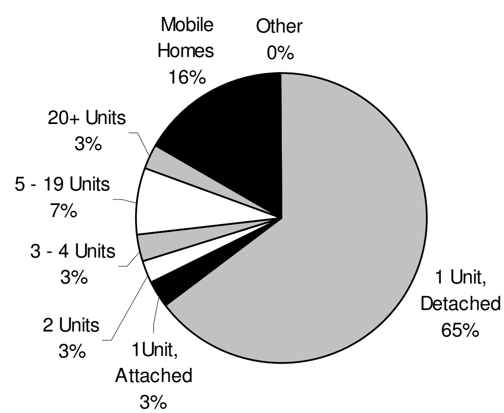
  - 174,725 new renter households
  - 493,603 new owner households
- During the same period, housing costs increased:
  - 8.8% for renters
  - 14% for homeowners
- 22.9% of owner households and 37.4% of renter households had a housing problem at the time of the 2000 census
- Extremely Low-Income, Very Low Income and Low-Income, owners and renters are much more likely to have housing problems

As of the 2000 Census, North Carolina had over 3.5 million housing units (3,132,013 occupied and 391,931 vacant housing units). Owner-occupied housing made up 69.4% of all occupied housing units. From 1990 to 2000, North Carolina's housing stock increased by 25%--the fifth highest in the nation. North Carolina added the fourth highest number of housing units in the nation (705,751) behind only Florida, Texas, and California.

Type of Unit

Sixty-five percent of North Carolina's housing units are in one-unit, detached structures (single-family homes) (Figure N.5.01). North Carolina ranks 15th in the nation in the percent of renter-occupied units that are in one-unit detached structures (35) but the 36th in the percent of owner-occupied units that are (79%).

Figure N.5.01: More than 80% of North Carolina's housing stock is single-family homes and mobile home.



Sixteen percent of North Carolina's housing stock is mobile homes (17% of owner-occupied stock, 14% of renter-occupied stock, and 14% of vacant stock). From 1990 to 2000, North Carolina's mobile home stock increased by 155,859 units or 37%. This was the second highest increase in the nation in number (behind Texas) and the seventh highest percent increase.

Within the state, the distribution of different types of housing varies. For both owner-occupied and renter-occupied housing, one-unit, detached structures and mobile homes make up a larger part of the stock in the Eastern and Western Regions. The Central region has a higher percentage of multi-unit structures.

The percent of a county's housing stock that is mobile homes varies widely, from 37% in Robeson and Greene Counties to 2% in Mecklenburg and Durham Counties.

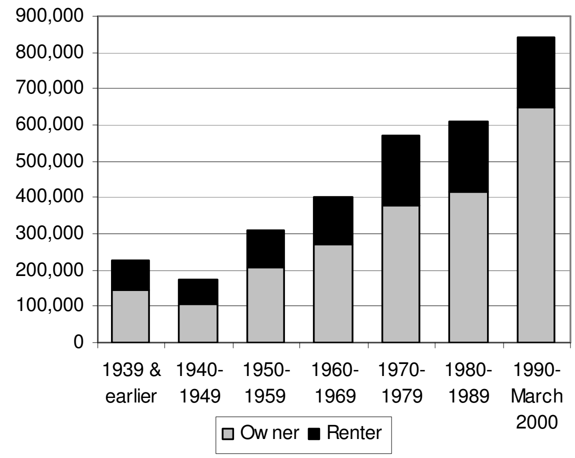
It is estimated that between 51% and 53% of mobile home residents (or 253,000 to 264,000 households) rent part of their housing. If the state's homeownership rate of 69.4% were calculated just for those households that own both their housing unit and their land, the rate could be as low as 65%. This is slightly higher than the 1990 rate when calculated with just those households that own both their unit and land (64%).

Age

The age of housing stock is used as an indicator of the condition of housing, as well as the level of recent development in an area.

The median year of construction for North Carolina's housing stock is 1978. Sixty-one percent of the state's rental housing stock was built after 1970 and 66% of the state's owner-occupied stock was (Figure N.5.02). Twenty-seven percent of North Carolina's housing stock was built in the 1990s. Twenty percent of the rental stock was built in the 1990s and 30% of owner-occupied stock was.

Figure N.5.02: Most of the state's housing stock has been built since 1970.



Condition

Housing condition is difficult to analyze at the state level. The US Census provides few indicators of housing condition; only the conditions of kitchen facilities and plumbing facilities are reported, and those questions are among those with the least reliable responses. The American Housing Survey gives more detailed information on housing condition, but does not make the data readily available at the state-level. This report will summarize the available Census data and provide estimates of the American Housing Survey data for North Carolina.

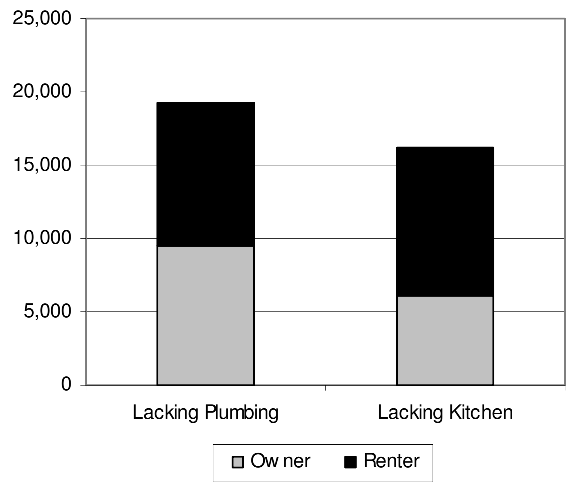
Kitchen and Plumbing Facilities

As of the 2000 Census, North Carolina had 37,754 total units lacking complete kitchen facilities and 37,118 total units lacking complete plumbing facilities. Unfortunately, the Census does not provide data on how many units lack both complete plumbing and kitchen facilities; however, it is likely that some units lack both plumbing and kitchen facilities.

A large percentage of units lacking kitchen and plumbing facilities are vacant units. Forty-eight percent of units lacking complete plumbing facilities and 57% of

units lacking complete kitchen facilities were vacant.
Of the occupied units lacking complete kitchens (16,202) and complete plumbing (19,295), most are renter-occupied.

Figure N.5.03: Most occupied units lacking complete plumbing or kitchen facilities are occupied by renters.



American Housing Survey
The American Housing Survey gives more detailed information on housing condition than does the Census, but does not make the data readily available a the state-level.

This report estimates the number of North Carolina's renter- and owner-occupied housing units with each type of moderate and severe housing problem. The estimates are based on the assumption that North Carolina's housing units have condition problems in exactly the same proportion as does the nation's housing stock. The American Housing Survey classifies condition problems as either severe or moderate.

In total, North Carolina is estimated to have 104,000 renter-occupied housing units with moderate or severe problems and 89,000 owner-occupied units with a moderate or severe problem (Figure N.5.04). Similarly to the Census data on plumbing and kitchen facilities, renter-occupied housing units are disproportionately affected by housing problems.

Figure N.5.04: Renter-occupied housing units are disproportionately affected by housing problems.

	Severe Problems		Moderate Problems	
	Renters	Owners	Renters	Owners
Plumbing	19,931	20,137	4,686	2,885
Heating	11,095	6,642	14,850	29,665
Electric	621	1,683		
Upkeep	2,315	872	21,710	20,558
Hallways	198	-	2,625	180
Kitchen			31,506	9,798
Total	33,256	28,493	71,368	60,382

Source: American Housing Survey, 2001.
Notes: (1) In the American Housing Survey, electric problems were only classified as severe, and kitchen problems were only classified as moderate.
(2) A more detailed breakout of specific housing condition problems can be found in Appendix C.

Housing Market

Highlights:

- From 1990 to 2000 North Carolina gained:
  - o 174,725 new renter households
  - o 493,603 new owner households
- During the same period, housing costs increased:
  - o 8.8% for renters
  - o 14% for homeowners

Household Growth

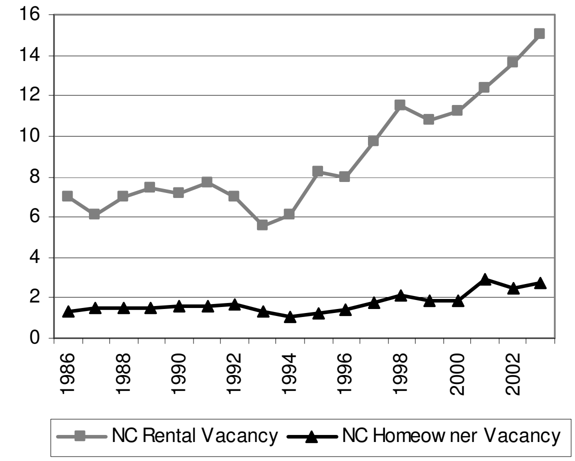
From 1990 to 2000, North Carolina gained 174,725 renter households (a gain of 22%) and 493,603 owner households (a gain of 25%). North Carolina's renter household growth outpaced rental unit growth by 4 percentage points; in contrast, its owner stock growth outpaced owner household growth by 2 percentage points.

Of renter household populations, the highest rate of growth was seen in households earning between 30% and 50% of median family income (25%). Of owner household populations, the highest rate of growth was seen in households between 50% and 80% of median family income (28%).

Vacancies

Of the nearly 400,000 vacant units in North Carolina, almost 24% (94,000 units) were vacant for rent and more than 13% (52,000) were vacant for sale.[33] In recent years North Carolina's rental vacancy rate has been growing faster than the national vacancy rate. The owner vacancy rate has showed both periods of decline and increase since the mid-1990s, but generally has increase much faster than the national vacancy rate (Figure N.5.05).[34]

Figure N.5.05: Rental vacancy rates far outstrip owner vacancy rates, and are increasing rapidly.



Source: Housing Vacancy Survey

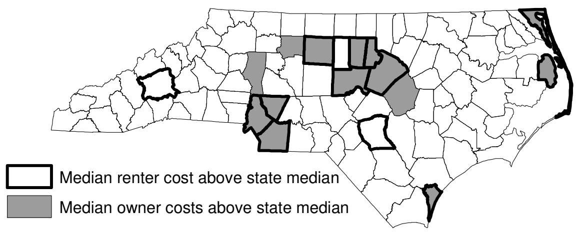
More than 16% of the vacant units reported in the Census (nearly 64,000 units) are vacant for "other" (not for rent, not for sale) reasons. There are a variety of reasons a unit could be in this category, including being too deteriorated to remain occupied, temporarily unoccupied because of legal concerns, vacant family property, property of absentee owners, and many other reasons.

Costs

Approximately 72% of the units for sale are in metro counties, and 7% are in rural counties. Housing costs are most expensive, for both renters and owners, in metropolitan regions (Figure N.5.06). Of the units that are priced below $100,000, 62% are in the metro counties, and 10% are in rural counties.

[33] 2000 Census
[34] Housing Vacancy Survey

Figure N.5.06: In certain counties, both renter and owner costs (for owners with mortgages) are higher than the state median.

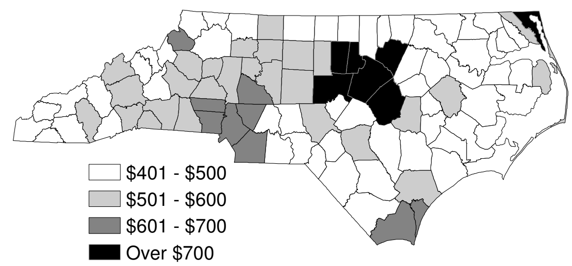


Both renter and owner costs have been increasing in the last decade, even after adjustment for inflation. Between 1990 and 2000 median gross rent in North Carolina increased by 8.8% - far surpassing the rest of the Region (which only had an increase of 2.5% in real dollars). Over the same time period, the median owner housing costs for households with mortgages increased by 14% in real dollars (more than the national increase of 12%). The median costs for households without a mortgage increased, but less than the nation as a whole (5% in inflation-adjusted dollars, compared to 7% for the nation).

According to Home Mortgage Disclosure Act (HMDA) data, sales prices appreciated by 21.4% over the 5-year period from 1998 to 2003.[35] Information from the National Association of Home Builders, the North Carolina Association of Realtors, the Census, and HMDA give slightly different pictures of sales prices, but they paint a very clear picture that home prices in North Carolina have increased dramatically in recent years.

The incomes necessary to afford a unit at North Carolina's FMR[36] (without paying more than 30% of the household's income) range from $17,763 for an efficiency or studio to $36,834 for a four-bedroom unit According to the 2003 FMR calculations, rents in the Triangle region of the state are the most expensive (Figure N.5.07).

Figure N.5.07: Fair Market Rents are highest in the Triangle.



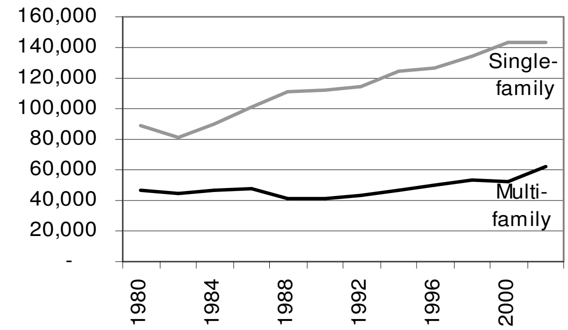
Development Costs

Development of multi-family housing (which accounts for almost half of all rental housing in North Carolina) has become more expensive per unit, in inflation adjusted dollars, since the 1980s. The same is true of development costs for single-family units. In 2004 dollars, rental development in 2003 cost $62,900 per unit and single-family development cost $146,500 per unit. Multi-family development costs have increased by 36% in real dollars since 1980, and single-family costs have increased by 66% (FigureN.5.08).

[35] This is HMDA data from the Office of Federal Housing Enterprise Oversight, from the March 1, 2004 press release. This data was compiled using the sales prices for individual units that sold multiple times in a given period. This is not in real dollars.

[36] Fair Market Rent, a rent level set by HUD that is meant to depict the rent for a less-than-average but not substandard quality unit in a market.

Figure N.5.08: Both multi-family and single-family development costs per unit show trend of increasing.



Source: Census data, based on the construction value from building permits.

The sales prices for HUD-code manufactured housing indicate that development costs of manufactured housing have also increased slightly over time; since 1995, the sales price for singlewide units has increased 2% in real dollars, and the price for doublewide units has increased only 8%. (These increases in sales prices are much smaller than the increase in development costs for single-family and multi-family housing over this time.)

Trends and Projections

HMDA data indicate that, of the MSA areas in North Carolina, households are applying for loans in the Triad, the Triangle, and the Charlotte area (Figure N.5.09).

Figure N.5.09: 62% of all loan applications in MSAs are in the Charlotte-Gastonia-Rock Hill, Triad, and Triangle MSAs.

MSAs	loan applications in 2003
Asheville	6,289
Charlotte-Gastonia-Rock Hill	48,496
Fayetteville	4,348
Goldsboro	1,905
Triad	27,738
Greenville	3,369
Hickory-Morganton-Lenoir	6,220
Jacksonville	2,632
Triangle	34,602
Rocky Mount	2,261
Wilmington	9,351

Source: HMDA data

Typically, as mortgage interest rates decrease, as they have been doing in recent years, the rental vacancy rates rise. This is because low interest rates make households better able to become homeowners, and many of those renters who are able, purchase homes. This has been the case in North Carolina; the homeownership rate has increased and the rental market has softened. Because interest rates tend to be cyclical, the state can expect that the rates will rise in the future, which will lead to a tightening of the rental market once again.

Current Housing Needs

Highlights:

- 22.9% of owner households and 37.4% of renter households had a housing problem at the time of the 2000 census
- Extremely Low-Income, Very Low Income and Low-Income, owners and renters are much more likely to have housing problems
- Minorities are more likely to have housing problems

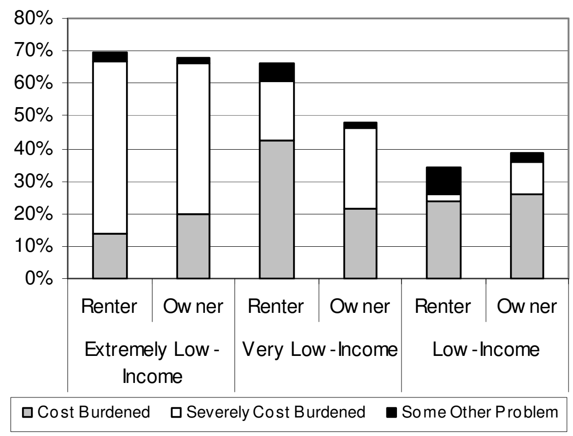
According to the 2000 Census, 497,000 owner households (22.9% of the state's owner households) and nearly 359,000 renter households (37.4% of the state's renter households) have a housing problem. A housing problem is defined as having one or more of the following problems: being cost burdened (or paying more than 30% of income for housing costs), being overcrowded (having more than one person per room), or being without complete kitchen or plumbing facilities. Fully 460,500 owner households and 302,000 renter households are cost burdened.

Income

Low-income households make up a disproportionate number of households with a housing problem. Low- income owners comprise 32% of all owners, but 67% of all owners with problems. Low-income renters comprise 61% of all renters, but 90% of all renters with problems.

The populations in which the highest percent of the households have housing problems are, in this order, extremely low-income renters, extremely low-income owners, and very low-income renters (Figure N.5.10).

Figure N.5.10: ELI Renters and Owners and VLI Renters have highest percents of the population with problems.



Source: 2000 Census

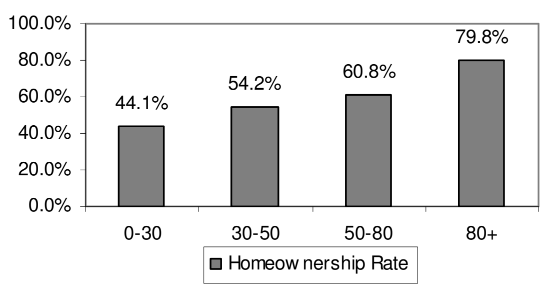
Over 53% of all ELI renter households (110,000 households) and 47% of all ELI owner households (77,000 households) are severely cost burdened; this means they pay more than half of their income for housing. Nearly as large a percentage of VLI renters have housing problems as ELI renters and owners, but a smaller percentage are severely cost burdened; the majority of the households in this category are moderately cost burdened (paying between 30% and 50% of their income for housing). The other renter and owner categories also have large numbers of households with problems, but much smaller percentages of each population have problems.

According to the National Low Income Housing Coalition's 2003 Out of Reach Report, 41% of North Carolina's renter households (over 393,000 households) were unable to afford a two-bedroom apartment at the Fair Market Rent in 2003. A household would need to earn $11.61 per hour in order to afford a two-bedroom apartment at FMR. This is a higher wage than the average starting salary for firefighters, police officers, and preschool teachers in North Carolina.

Low-income households also have difficulty purchasing homes in North Carolina, in large part because of their low incomes. Homeownership is affordable if the household can pay the costs associated with being a homeowner (mortgage, taxes, insurance, utilities, etc.) without using more than 30% of the household's income. Because underwriting criteria vary, some lenders will allow households to borrow money spending slightly larger percents of the household income on housing, but even with these standards many low-income households are unable to purchase homes. Low-income households are less able than moderate-income households to save sizeable down payments.

While 69.4% of all North Carolina households are homeowners, only 54.1% of all low-income households are homeowners (Figure N.5.11). Low-income households have more difficulty than other households saving down payments to buy homes, paying the expenses of homeownership without spending more than 30% of their income on housing, and many of them have credit histories that disqualify them from affordable interest rates.

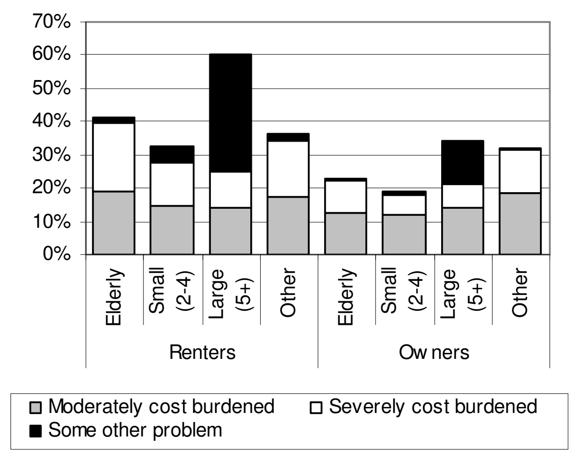
Figure N.5.11: 79.8% of all non-low-income North Carolina households are homeowners.



Household Type

The Census provides limited information on housing problems for the following household types: 1- or 2-person households in which at least one member is elderly, 2- to 4-person households in which no one is elderly and the household members are related, 5-person or larger households in which the members are related, and all other households. Of those categories, the category in which the largest percent of the population has housing problems is large-related households. Nearly 43% (106,400 households) of large-related households have housing problems; this is 60% of large related renter households and 34% of large related owner households (Figure N.5.12). Large-related households also have different types of housing problems. While these types of households are cost burdened at a rate similar to that of other types of households, their rate of non-cost-related housing problems is 30 percentage points higher than that of the next highest household for renters and more than 12 percentage points higher for owners.

Figure N.5.12: The largest percent of households with "other" problems are in the large related household category.



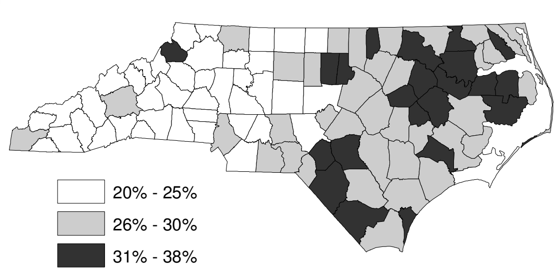
Race

Households of different races/ethnicities have housing problems with differing frequencies. Hispanic renters have the highest frequency of housing problems overall (59%). However, when only looking at low-income households, Asian/Pacific Islander and Hispanic owner households have the highest frequency of housing problems (Figure N.5.13). When looking all low-income households, renters have a higher rate of problems than do owners; but for Black, Hispanic, and Asian/Pacific Islander low-income households, owners have a higher rate of problems.

Figure N.5.13: Asian/Pacific Islander and Hispanic low-income owner households have the highest frequency of housing problems.

Location
When looking at HUD-defined housing problems, counties in the East had a higher percent of households with a housing problem (Figure N.5.14). Hoke County had the highest percent (38%) and Yancey and Transylvania Counties had the lowest percent (20%).

Figure N.5.14: Eastern counties have higher percentages of households with HUD-defined housing problems.



However, urban counties had the highest percentage low-income renter households with housing problems. Orange, Watauga, and New Hanover counties have the highest percent of low-income renter households with a housing problem (70%, 67%, and 66% respectively). Stokes, Alleghany, and Yadkin counties had the lowest percent (37%, 37%, and 36% respectively).

It is important to point out that HUD-defined housing problems are mostly driven by cost burdening. Condition of housing is only measured as a problem if the unit is reported to lack complete kitchen or plumbing facilities. In the Regional Housing Needs meetings, participants in rural counties (those least likely to have cost burdening) repeatedly cited condition problems in their rental stock affordable to low-income households. Some mentioned that poor quality mobile homes were the main source of "affordable housing".

Stock
As stated earlier, condition data is not widely available for North Carolina. According to estimates using the American Housing Survey Data, there are an estimated 71,368 rental housing units and 60,400 owner-occupied housing units with moderate condition problems. Additionally, there are an estimated 33,256 rental units and 28,500 owner-occupied units with severe condition problems.

As of the 2000 Census, there were 37,754 total units lacking complete kitchen facilities and 37,118 total units lacking complete plumbing facilities. A large percentage of units lacking kitchen and plumbing facilities are vacant units. Forty-eight percent of units lacking complete plumbing facilities and 57% of units lacking complete kitchen facilities were vacant. Of the occupied units lacking complete kitchens (16,202) and complete plumbing (19,295), most are renter-occupied.
In the Regional Housing Needs meetings held across the state, participants in nearly every meeting mentioned that the condition of housing stock was a problem.

Additional Housing Needs

Highlights:
- 12% of Population is elderly
- 21.1% of North Carolinians have some kind of disabling condition
- Estimated 22,500 North Carolinians living with HIV/AIDS
- 813 units in North Carolina that require lead base paint remediation or where remediation has been recommended

There are several groups, due to disability, age, or other special circumstances, have distinct housing needs.

Elderly
The elderly population is the fastest growing age group in North Carolina. In 2000 there were 969,048 people age 65 and older living in North Carolina, making up 12% of the state's residents. In the coming years this percentage will increase dramatically as the baby boomers age and enter retirement. In 83 of the state's 100 counties, the rate of increase among those 65 and older (22%) is expected to exceed the growth of the total population (18%) between 2000 and 2010. 13.2% of persons over 65 are living below the poverty level.

Fully 41% (53,000) of all elderly rental households have housing problems, and 23% (128,400) of all elderly owner households have problems. There were 558,500 one and two-person elderly homeowners in 2000, and 52% of them (290,900) were low-income. Of the elderly one and two-person owner households with problems, 84% were low-income; this is 106,000 elderly households. Ninety-eight percent of those households (fully 104,100 households) pay more than 30% of their income for housing.

Additionally, elderly households frequently have low, fixed incomes. When an elderly household of one person receives only SSI, the monthly income is $579 per month. Considering HUD guidelines that a low income person should spend no more than 30% of their income for housing costs (rent plus utilities) or in this case $167 per month, there are no rental markets in the state where this person can afford to rent even the most modest one bedroom apartment without rental assistance.

Both elderly homeowners and elderly renters express a strong preference for remaining in their homes as they age. There are 199,100 one and two-person elderly households in North Carolina that have some mobility or self-care limitation, according to the Census. More than half of them have one household member older than 75 years old, and are considered frail elderly households. Many seniors with mobility and self-care limitations can live independently with appropriate support services. While this is a cost effective alternative to institutionalization, the NC Division of Aging and Adult Services reports waiting lists for a full range of in-home and community based services.

Persons with Disabilities
Disability impacts individuals across population categories without regard for age, race, ethnicity or sex. A 2001 US Department of Housing and Urban Development (HUD) report found that 25% of households with "worst case housing needs" are persons with disabilities and that persons with disabilities were the only group

eligible for federal housing assistance whose housing needs had increased in the 1990s, a decade of economic growth. This situation has worsened in subsequent years of economic downturn.

According to the 2000 census, 21.1% of North Carolinians have some kind of disabling condition. The Social Security Administration reports that in 2003, 319,858 of these individuals between the ages of 18 and 64 had qualified for Social Security benefits because their disability was so severe that they were unable to work. Contrary to the perception of many, these benefits are not adequate to cover living expenses. Over 200,000 disabled workers, individuals with a work history that became disabled, receive Social Security Disability Income (SSDI) with an average payment of $813 a month. One hundred seven thousand two hundred thirty-three non-elderly individuals in North Carolina with disabilities and no work history receive Supplemental Security Income (SSI) of only $579 a month.

For many persons with disabilities, income, and not disability, is the operative barrier to securing safe, decent affordable housing in their communities. According to *Priced Out in 2002* and analysis of rental costs done by the Technical Assistance Collaborative, between 2000 and 2002, rental housing costs rose at twice the rate of SSI cost of living adjustments, and in some metro areas, as much as six times. Using HUD guidelines that a low income person should spend no more than 30% of their income for their housing, there is no rental market in the state where a persons living on SSDI or SSI can afford to rent even the most modest one bedroom apartment. It is not surprising that persons with disabilities are disproportionately represented among the homeless. The National Institute on Disability and Rehabilitation estimates that nearly half (46%) of the nation's homeless are individuals or households headed by an adult with a disability or chronic health condition.

Supportive housing, independent housing units where residents have access to adequate and flexible support services tailored to their individual needs, is a housing model that can meet the needs of individuals across disability categories. While the support service needs of the individual will vary according to the type and severity of their disability, the need for affordable and accessible housing units is common across all disability categories.

At this time there is no cumulative data on the number of persons with disabilities in need of supportive housing in North Carolina. The North Carolina Department of Health and Human Services (DHHS) is the public agency charged with providing publicly funded services for persons with disabilities in the state. Across DHHS service agencies the lack of supportive housing options compromises the effectiveness of treatment and rehabilitative services and leaves many of our most vulnerable citizens caught in a cycle of instability that only exacerbates the challenges of living with a serious disability or long term illness.

According to *State Plan 2004: Blue Print for Change* (North Carolina's plan for mental health, developmental disabilities and substance abuse services) there are 99,000 persons with severe and persistent mental illness in North Carolina. The most conservative estimates from the National Institute of Mental Health indicate that 10% or nearly 10,000 of these individuals are in need of supportive housing. 755 of the 12,576 admissions to the state psychiatric

hospitals in 2004 were homeless upon admission. 628 of these were discharged back into homelessness, primarily because there were not appropriate and affordable supportive housing options available.
As of July 2002, of the approximately 130,810 people in North Carolina with developmental disabilities, there were 4,069 adults waiting for services in North Carolina, many of these are also in need of supportive housing. Almost 10,000 adults with developmental disabilities are currently living in the community with aging parents and care givers. In the near future many of these will need both housing and service supports.

According to *State Plan 2004: Blue Print for Change* 784,000 adult North Carolinians are in need of substance abuse services, with an estimated 2,600 who are homeless. The Department of Correction reports that of the approximately 25,000 persons released from prison each year, 60% have a substance abuse problem and 10-13% have a mental illness. Without access to stable housing and treatment services, many of these individuals are at high risk for returning to prison.

The Division of Services for the Blind (DSB) served 14,571 individuals in 2004. A survey of DSB social workers indicated that just over 20% of these, or 3,125 individuals, would immediately benefit from access to affordable and accessible housing. The Division of Vocational Rehabilitation serves persons with disabilities seeking to re-enter the work force. Of the 26,645 person served in 2004, 1,506 had affordable and accessible housing identified as a needed element in their rehabilitation plan.

The lack of affordable supportive housing options has costs beyond the loss of human potential. Without stable housing, individuals and families are at higher risk for needing more expensive crisis and emergency services. It also costs the state through our dependence upon more costly institutional care. A 2000 study commissioned by the Office of the State Auditor found that "many of the individuals currently residing in North Carolina's four state [psychiatric] hospitals, in all levels of care, could be treated in community-based services if such services were available." This same report found that North Carolina serves a greater proportion of people with developmental disabilities in large state-operated residential centers than does other states, concluding that North Carolina has a higher rate of institutionalization than peer states. "At 32.3 beds per 100,000 persons in the general population, the bed capacity is 23 percent higher than the average in the peer group of comparable states. North Carolina's rate of adult admissions, at 243 per 100,000, is second highest among peer group states."

In addition, according to the Division of Facility Services, as of September 2004 nearly 4200 non-elderly adults with a mental illness or developmental disability reside in Adult Care Homes supported by State and County Special Assistance. Many of these individuals could live successfully in the community with support. However, some of those who want to live independently are unable to do so. This is because of a shortage of appropriate residential options in the community that are, affordable to persons living on SSI.

North Carolina's dependence upon institutional care is even more troubling in light of the 1999 United States Supreme Court decision *Olmstead v. L.C.*. In this landmark case interpreting the Americans with Disabilities Act, the court found that the unnecessary segregation of individuals with disabilities in institutions may constitute discrimination based on disability. North Carolina's current mental health reform effort is designed to build the capacity of community based services to meet the needs of persons with Mental Health/Developmental Disabilities in the community, but meeting the state's responsibilities under *Olmstead* and realizing the vision of the mental health reform will require significant increases in the number of supported housing units across the state.

HIV/AIDS

The total number of persons living with HIV/AIDS and reported to the HIV/STD Prevention and Care Branch is17,960. Based on CDC's formula for estimating prevalence (two-thirds to three-fourths of the persons living with HIV/AIDS have been tested and know their status), North Carolina's current surveillance total of 17,960persons would indicate an estimated 28,000 persons living with HIV or AIDS in the state of North Carolina.

Data from a housing survey of persons living with HIV/AIDS is currently available. Of the over 600 persons responding to this survey, 80% reported at least one challenge that made their daily lives difficult. The median income of the survey respondents was only 75% of the U.S. poverty threshold (only 18% of the median family income for a one-person household in North Carolina). Half of the survey respondents were paying more than 55% of their income for housing. This is similar to the cost burdening rate for other extremely low-income households. More than half of respondents were renters. Fifteen percent owned their own home (which, according to focus groups are most typically mobile homes) and 12% were staying with friends or family indefinitely.

Persons with HIV/AIDS tend to have extremely low incomes. In order for them to be housed adequately and affordably, rent assistance or operating support is needed in addition to any development financing or grants made available.

Elevated Blood Lead Levels

Though lead-based paint was used in homes until 1978, higher concentrations are found in homes built prior to 1950, thus pre-1950 housing is often used as an indicator of housing containing lead-based paint. Of the housing stock in North Carolina, 12% of the owner-occupied stock (253,000 housing units) and 15% of the rental stock (144,753 housing units) was built prior to 1950.

In 2000 there were 437,266 households that had children ages 6 or younger. This means there is a need for a minimum of 437,266 lead-safe housing units.

According to the NC Department of Environment and Natural Resources' North Carolina Childhood Lead Poisoning Prevention Program, there are currently 337 housing units that require remediation by law (blood lead levels $\leq$ 20μg/Dl). This included 63 owner-occupied units, 267 rental units, and 7 units with tenure unknown. In addition, there are 476 housing units for which remediation is recommended (blood lead levels $\leq$ 10μg/Dl). This included 124 owner-occupied units, 337 rental units, and 15 units with tenure unknown.

Future Housing Needs

Identifying current and future housing needs is difficult because most of the data on housing needs cited in this report was collected in the late 1990s, at the peak of an expanding economy. Since then, North Carolina has experienced increasing unemployment and an economy shifting from the manufacturing sector to the service sector, with a resulting loss of income for many.

At the same time, it has also seen a softening of many rental markets and a lowering of home mortgage interest rates statewide. Because of this, more households have been able to become home buyers. Also since the late 1990s foreclosures have been increasing across the state.

According to *The State of the Nation's Housing*, by the Joint Center for Housing Studies of Harvard University, "The scope of future gains and losses will depend on what direction job and income growth takes. In the meantime, risks in the system remain relatively contained. Most worrisome are the many homeowners with scant savings who are spending half or more of their incomes on housing, along with the growing share of sub prime borrowers who are by definition more likely to default. If the recovery stalls, theses owners will be at a substantially higher risk of losing their homes."

Rental housing has also become more affordable for many, as apartment complexes have had to lower rents. However, complexes can only lower their rents so far before they begin to lose money and most extremely low-income renters cannot afford even the lowered rents. According to *The State of the Nation's Housing*, "even at current levels housing assistance programs reach only a small fraction of the lowest-income households who are in desperate need." Pressure to cut federal rent assistance for extremely low-income households and to eliminate the federal HOPE VI public housing funding is mounting.

Rental demand could surge if interest rates rise. Independent of the economy, the age distribution of the US population will soon start to favor rental markets. The foreign-born population continues to increase the number of young adults and the children of baby-boomers will soon be able to form their own households. Because both young adults and the foreign born are more likely to be renters, these trends point to a strengthening of rental markets over time. With North Carolina's age and racial/ethnic trends mirroring the nation, this is likely to be the case in North Carolina as well. While strong rental markets are certainly good news for landlords and rental investors, it makes rental housing more expensive and thus less affordable.

In the next five years, North Carolina is likely to need more rental assistance, new construction of affordable rental housing, and rehabilitation and/or preservation of existing affordable housing. Without increased availability of funding for rent assistance, it is unlikely that the state's current resources will be able to meet the state's biggest rental housing needs.

RENTAL HOUSING

Topics:
- Housing Stock
- Housing Market
- Subsidized Housing
- Current Housing Needs
- Future Housing Needs
- Additional Housing Needs

Highlights:
- 35% are single unit detached
- 51% are two or more units attached
- 14% are mobile homes
- Median year of construction was 1975
- 20% of stock built during the 1990s
- 10,000 units lack complete kitchen facilities
- 9,800 units lack complete plumbing
- Vacancy rate of close to 15% in 2003
- Median gross rent in 2000 was $548.
- Median gross rent was highest in Wake County $727
- Median gross rent was lowest in Graham County $319
- Total subsidized, permanent rental housing units in North Carolina is about 120,000 units
- To serve those at below 30% of the area median income, properties need ongoing operating subsidies
- 37.4% of renters had a housing problem in 2000
- In 2003 41% of North Carolina renter households could not afford a two-bedroom apartment at the fair market rent

Housing Stock

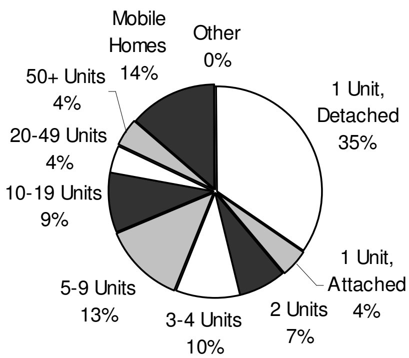
As of the 2000 Census, North Carolina had over one million rental housing units (959,743 renter-occupied housing units and 93,913 vacant housing units available for rent). Rental housing makes up 30% of North Carolina's 3.5 million housing units. From 1990 to 2000, North Carolina's rental housing stock increased by over 160,000 units or 18%. This was the fourth highest increase in the nation in both percent increase (behind Nevada, Idaho, and Oregon) and amount increase (behind California, Texas, and Florida).

Within North Carolina, Mecklenburg and Wake Counties had the largest increase in the amount of rental housing (24,044 and 20,133 housing units respectively). Hoke County saw the highest percent increase in the number of rental housing units (56% or 1,128 units). Nine counties had a drop in the rental housing stock (Camden, Carteret, Currituck, Dare, Edgecombe, Graham, Hyde, Lenoir, and Martin); however, only Lenoir, Martin, and Edgecombe counties had a drop in the number of renter-occupied housing units.

Type of Unit

Thirty-five percent of North Carolina's rental housing units are in one-unit, detached structures (single-family homes) (Figure N.6.01). North Carolina ranks fifteenth in the nation in the percent of rental units that are one-unit, detached structures, and second in the region (behind West Virginia).

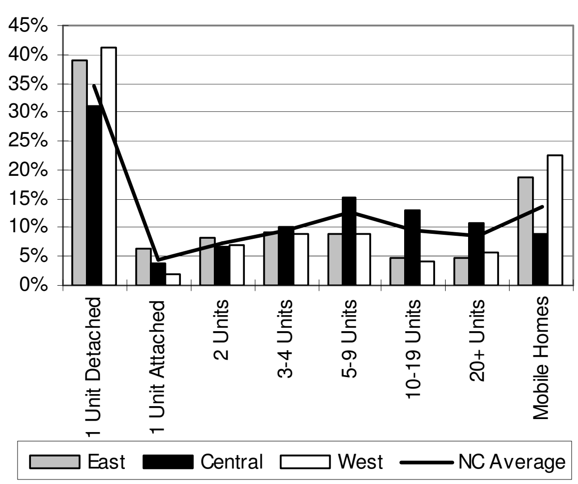
Figure N.6.01: Almost half of North Carolina's rental housing is mobile homes and single-family homes.



Fourteen percent of the state's rental stock is mobile homes. North Carolina has the most rental mobile homes (130,141) of any state in the nation. Only South Carolina and West Virginia have higher percentages of the rental stock comprised of mobile homes.

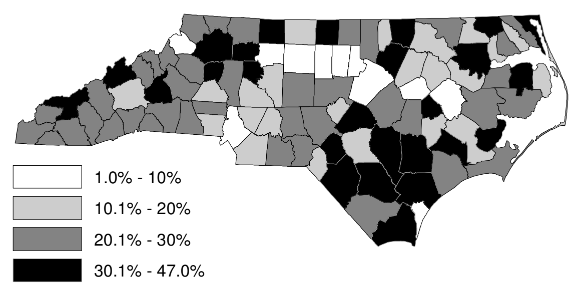
Within the state, the distribution of the different types of rental housing varies (Figure N.6.02). One-unit, detached structures and mobile homes make up a larger part of the rental stock in both the East and the West regions. The Central region has a much higher percentage of multi-unit structures.

Figure N.6.02: Multi-unit structures make up a larger part of the Central region's rental housing stock.



The percent of a county's rental stock that is mobile homes varies widely, from 1% in Durham County to 47% in Brunswick County (Figure N.6.03). While the metropolitan counties in the state have more rental mobile homes than the micropolitan and rural counties combined, mobile homes make up only 10% of the metropolitan counties' rental housing stock. In the micropolitan and rural counties, mobile homes make up 21% and 27% of the rental housing stock. [37]

Figure N.6.03: Mobile homes make up a larger part of the rental housing stock in the rural areas of North Carolina.



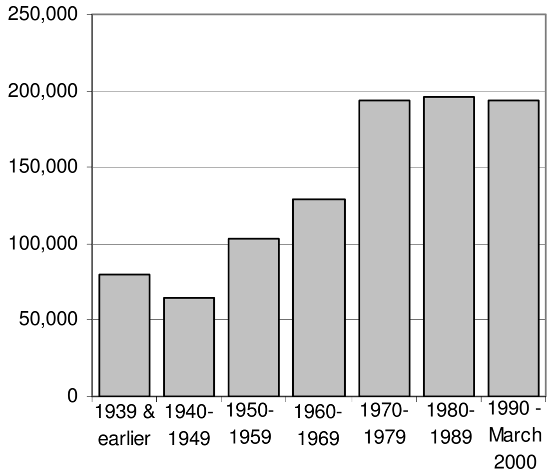
Age

The age of housing stock is used as an indicator of the condition of housing, as well as the level of recent development in an area.

The median year that North Carolina's rental housing stock was built is 1975. Sixty-one percent of the state's rental housing stock was built after 1970 (Figure N.6.04).

[37] See Appendix H for definitions of metropolitan, micropolitan, and rural, and Appendix A for a map indicating which counties are in each category.

Figure N.6.04: Most of North Carolina's rental housing stock has been built since 1970.



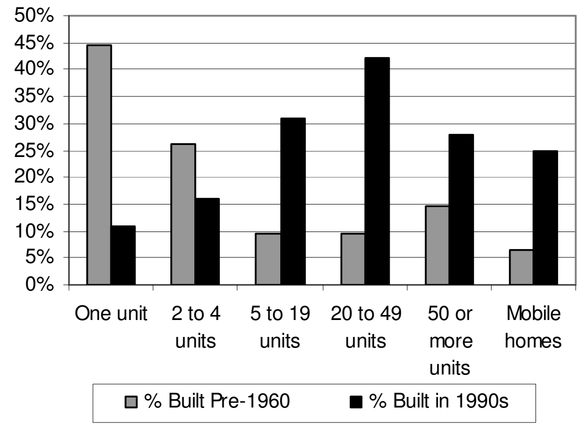
Twenty percent of North Carolina's housing stock was built in the 1990s. Nationally, only four states have a higher percentage (Nevada, Oregon, Arizona, and Georgia). Regionally, only Georgia has a higher percentage. North Carolina also ranks fifth nationally in the number of rental housing units built in the 1990s (behind California, Texas, Florida, and Georgia).

Twenty-six percent of North Carolina's rental housing stock (or 247,781 units) was built before 1960. North Carolina ranks fourteenth in the nation and second in the region (behind Florida) in the *number* of rental housing units built before 1960. However, the state is ranked thirty-ninth in the nation and fifth of the eight state region in the *percent* of the rental housing stock built before 1960.

While North Carolina has a relatively new rental housing stock compared to the rest of the nation, the age of rental housing by county varies widely. The median year built ranges from 1986 in Hoke County to 1965 in Camden County.

The age of the different types of rental units is also not uniform. Rental units in structures of less than four units had a much higher percentage of housing units built before 1960 (39%) than the rest of the rental housing stock (9%). Single-family units had an even higher percentage of housing units built before 1960 (44%). Mobile homes had the lowest percentage built before 1960 (7%).

Figure N.6.05: Small rental structures are older; large structures and mobile homes are newer.



Condition

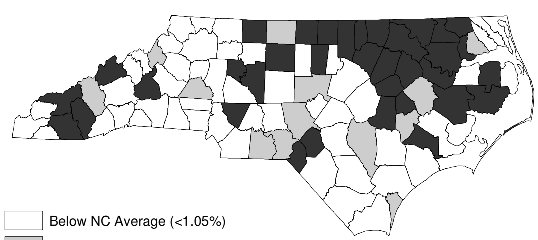
Housing condition is difficult to evaluate at the state level. The United States Census provides few indicators of housing condition; only the conditions of kitchen facilities and plumbing facilities are reported. Those are also some of the least reliable data provided by the Census. The American Housing Survey gives more detailed information on housing condition, but does not make the data available at the state-level. This report will summarized the available Census data, and provide estimates of the American Housing Survey data for North Carolina.

Kitchen Facilities

As of the 2000 Census 10,092 North Carolina households lived in rental housing units lacking complete kitchen facilities. This represents 1.05% of the state's occupied rental housing stock, and is below the national percentage of 1.32%. North Carolina ranks twelfth in the number, but the 39th in percent, of rental units lacking complete kitchens in the nation.

Although North Carolina as a whole has a smaller percentage of rental housing units lacking complete kitchen facilities than does the nation, many of North Carolina's counties have a rate higher than that of the nation (Figure N.6.06). Percentages range from a high of 3.9% in Caswell County to 0% in Camden, Currituck, and Washington Counties. In all, thirty-five counties have higher percentages of rental units lacking complete plumbing than the national average. Most of those counties (18) are in the East.

Figure N.6.06: North Carolina's northeastern counties have the highest percent of rental housing lacking complete kitchen facilities.



Although the East has a higher incidence of rental housing units lacking complete kitchens than the national average; the rural, central region of North Carolina has the highest percentage of units lacking complete kitchens, of the geographic/metropolitan regions of the state (Figure N.6.07). Of the four counties in the rural, central part of the state (Caswell, Granville, Montgomery, and Warren), both Caswell and Warren have above 3% of units with this deficiency.

Figure N.6.07: The rural, central region of North Carolina has the highest percentage of rental units lacking complete kitchens.

	East	Central	West	NC
Metro	0.95%	1.05%	0.79%	1.00%
Micro	1.31%	1.00%	0.81%	1.11%
Rural	1.48%	**2.40%**	0.98%	1.44%
NC	1.12%	1.07%	0.83%	1.05%

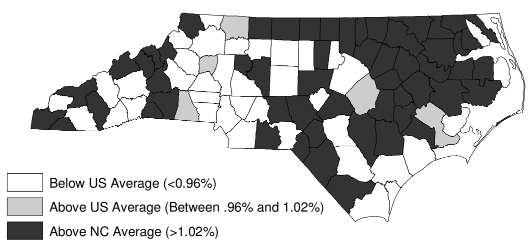
In general, rural counties have a higher percentage of rental units lacking complete kitchens than do metropolitan or micropolitan counties; and micropolitan counties have a higher percent than do metropolitan counties. However, there are two exceptions. Western rural counties have a lower percentage than metro, micro, or rural Central region counties and a lower percentage than micropolitan Eastern counties. Also, in the Central region metropolitan counties have a higher percentage of rental housing units lacking complete kitchens than do micropolitan counties. This is due to Orange, Person, Franklin, and Stokes counties; all of which have percentages of 2% or above. Orange County actually has one of the highest rates in the state at 3.4%.

Plumbing Facilities

As of the 2000 Census 9,811 North Carolina households lived in rental housing units lacking complete plumbing facilities. This represents 1.02% of the state's occupied rental housing stock, and is above the national percentage of .96%. North Carolina has the ninth highest number and the twelfth highest percent of rental units lacking complete kitchens in the nation. It has the third highest percent in the region (behind West Virginia and Virginia), and the second highest number of rental units lacking complete plumbing facilities (behind Florida).

Fifty-five of North Carolina's counties have a percentage of rental units lacking complete plumbing facilities above that of North Carolina as a whole (Figure N.6.08). Most of those counties (28) are in the East. Forty counties have a percentage below the national percentage of .96%. Percentages range from a high of 5.20% in Northampton County to 0% in Alleghany, Currituck, and Transylvania Counties.

Figure N.6.08: North Carolina's eastern counties have the highest percent of rental housing lacking complete plumbing facilities.



Although the East has more counties with percentages of rental housing units lacking complete plumbing higher than the state average; the rural, central region of North Carolina has the highest percentage of the geographic/metropolitan regions of the state (Figure N.6.09). All four counties in the rural, central part of the state have percentages above the state average. Caswell, Granville, and Warren Counties have percentages above 4% (4.1%, 4.8%, and 5.7% respectively).

Figure N.6.09: The rural, central region of North Carolina has the highest percentage of rental units lacking complete plumbing.

	East	Central	West	NC
Metro	1.13%	0.79%	0.54%	0.84%
Micro	1.65%	1.01%	0.86%	1.27%
Rural	2.29%	**4.10%**	1.43%	2.27%
NC	1.43%	0.88%	0.78%	1.02%

American Housing Survey Estimates
Given the inadequacy and unreliability of the Census information on condition, it is important to search for other information on the condition of North Carolina's rental housing stock. The American Housing Survey gives more detailed information on housing condition than does the Census, but does not make the data available at the state-level. However, this report estimates the number of North Carolina renter-occupied housing units with each type of moderate and severe problem. The estimate is based on the assumption that North Carolina's rental housing units have condition problems in exactly the same proportion as does the nation's rental housing stock. The American Housing Survey classifies condition problems as either moderate or severe.

In total, North Carolina is estimated to have 71,368 rental housing units with a moderate condition problem and 33,256 with a severe condition problem (Figure N.6.10). According to this estimate, about twice as many housing units had a severe plumbing problem than were identified as having incomplete plumbing by the 2000 Census (19,931 and 9,811 respectively). Three times as many rental housing units had a moderate kitchen problem than were identified as having incomplete kitchen facilities by the Census (31,506 and 10,092 respectively).

Additionally, the estimates show that over 11,000 renter households have severe heating problems, and almost 15,000 have moderate heating problems. The Census does not provide any information on the condition of heating systems with which to compare, but does report that 13,552 renter households used wood for heating fuel and 3,693 used no fuel.

Figure N.6.10: Plumbing, heating, and kitchen facilities are the most common problems for NC's rental stock.

	Severe Problems		Moderate Problems	
	% of US Renters	NC Estimate	% of US Renters	NC Estimate
Plumbing	2.1%	19,931	0.5%	4,686
Heating	1.2%	11,095	1.5%	14,850
Electric	0.1%	621		
Upkeep	0.2%	2,315	2.3%	21,710
Hallways	0.0%	198	0.3%	2,625
Kitchen			3.3%	31,506
Total	3.5%	33,256	7.4%	71,368

Source: American Housing Survey, 2001.
Notes: (1) In the American Housing Survey, electric problems were only classified as severe, and kitchen problems were only classified as moderate.
(2) A more detailed breakout of specific housing condition problems can be found in Appendix C.
(3) The American Housing Survey classified the units' problems as "moderate" or "severe'; the criteria they used for this classification are not readily available.

Housing Market

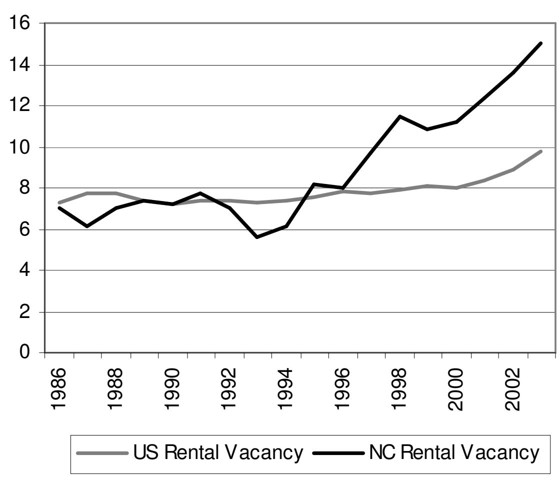
Household Growth

From 1990 to 2000, North Carolina gained 174,725 renter households—a gain of 22%. Despite having the fourth highest increase in rental housing stock in the nation during the same period, North Carolina's renter household growth outpaced rental unit growth by 4 percentage points. The highest rate of growth (25%) was seen in renter households earning between 30% and 50% of median family income.

Vacancies

Of the nearly 400,000 vacant units in North Carolina, almost 94,000 (24%) were vacant for rent as of the 2000 Census. Just over 2,100 additional units specifically for migrant workers were vacant. An additional source of information on rental housing vacancy is the Housing Vacancy Survey. Starting in 1996, the North Carolina rental vacancy rate has been growing faster than the national rental vacancy rate (Figure N.6.11). In 2003, North Carolina's reported rental vacancy rate was 5 percentage points higher than the national rate.

Figure N.6.11: NC rental vacancy rates are increasing faster than US vacancy rates.

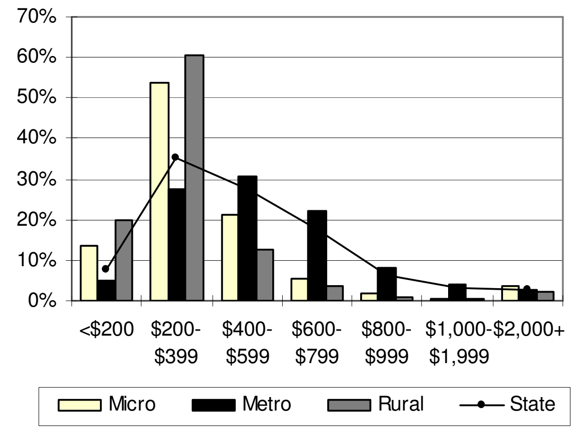


Source: Housing Vacancy Survey

Costs

For the units that were vacant-for-rent in 2000, in the metropolitan counties, the rents asked were higher than in the micropolitan[38] and rural counties (Figure N.6.12). The rents asked were higher in the central region of the state than in the western and eastern regions.

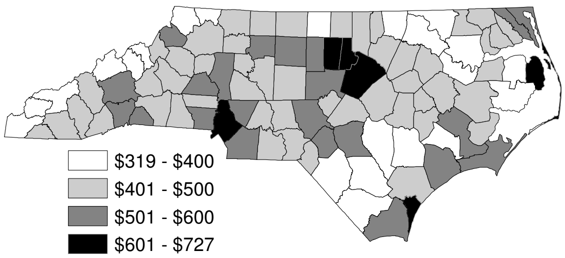
Figure N.6.12: Rents asked for Vacant-For-Rent units are higher in the Metropolitan regions.



Median gross rents vary across the state from $727 in Wake County to $319 in Graham (Figure N.6.13). For the most part, the highest rents are paid in the metropolitan areas. The exception is Dare County, which has the 5th highest median gross rent ($638) after Wake, Mecklenburg, Orange, and Durham Counties. The areas with the lowest median rent are the Tennessee border counties and pockets of the north and southeastern parts of the state. Wake County was the only county with a median rent over $700.

[38] See Appendix A for a map showing which counties have been defined by the Census as micropolitan, metropolitan, and rural.

Figure N.6.13: Median Gross Rents vary across state, with lowest rents paid in Tennessee border counties and certain pockets of the east.
(2000 Census values)



Median gross rent increased by 8.8% (in real dollars) in North Carolina between 1990 and 2000; this was the largest increase in our eight state region, where median gross rent increased by only 2.5%. Half of the states in the region saw either no increase or a decrease in median gross rent when adjusted to real dollars. Between 1990 and 2000 the median gross rent increased most in Camden County (61%) and Gates County (43%). In real dollars, Dare, Onslow, and Rutherford Counties' median rents declined in that period.[39]

Between the 2000 Census and the writing of the report, the rental market across the state has softened. This is likely a result of the low interest mortgage rates; many former renters have become homeowners. It can be expected that as the interest rates increase the rental market will strengthen.

The Department of Housing and Urban Development (HUD) sets Fair Market Rents (FMRs) for the state as a whole as well as for each county. These values are chosen to approximate the gross rent (rent for the unit plus utilities) of a less-than-average standard-quality unit in the area.[40]

The incomes necessary to afford a unit at North Carolina's FMR (without paying more than 30% of the household's income) range from $17,763 for an efficiency or studio to $36,834 for a four-bedroom unit (Figure N.6.14).

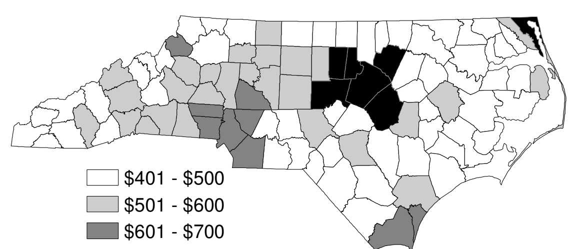
Figure N.6.14: Incomes must exceed $17,763 for household to afford a unit priced at NC's FMR

Number of Bedrooms	North Carolina's FMR	Income necessary to afford unit
0	$444	$17,763
1	$511	$20,441
2	$603	$24,127
3	$806	$32,222
4	$921	$36,834

Source: 2003 Out of Reach Report, published by the National Low Income Housing Coalition

Not all counties in the state are equally affordable according to the FMR designations. According to the 2003 FMR calculations, rents in the Triangle region of the state are the most expensive (Figure N.6.15). In 2005 the FMRs of counties will change, due both to the changes in costs (which are included in each recalculation) and the changes in the counties included in each Metropolitan Statistical Area.

Figure N.6.15: Fair Market Rents are highest in the Triangle.



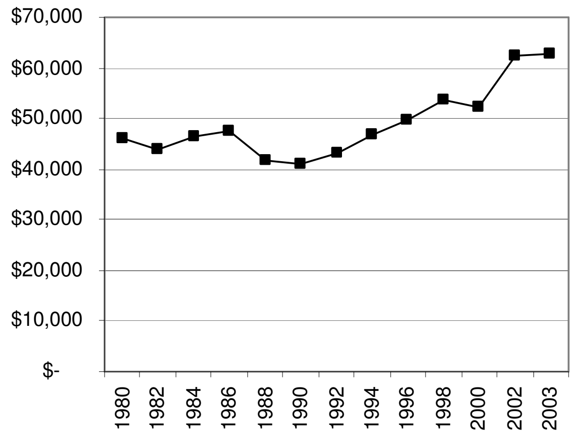
Development Costs

Only 47% of the rental housing in the state is in multi-family developments. Nonetheless, the development costs for multifamily

[39] This is calculated from Census median gross rent data for specified renter-occupied housing units paying cash rent.
[40] HUD's website www.huduser.org/datasets/fmr.html gives a detailed explanation of how these rents are calculated. For most areas of the nation the FMR value is the value of the unit at approximately the 40th percentile.

housing are useful for determining how much future rental development will cost since few new rental units are not multi-family. Development has been getting noticeably more expensive since 1992 (Figure N.6.16). In 2004 dollars, the value per unit (measured at the point of permitting) of multi-family housing in North Carolina averaged $62,900. This is 80.5% of the average costs of all the states in the region ($78,100).

Figure N.6.16: Multi-family housing is becoming more expensive to build.
(Multifamily valuation per building permitted unit, per the Census)



Note: Data from building permits.

Trends and Projections

Between 1990 and 2000 the growth in renter households was spread very unevenly across the state. The central metro regions experienced more than half of the growth of renter households (Figure N.6.17). The central region experienced 64% of the state's growth in renter households (compared to 22% for the East and 14% for the West)[41].

Figure N.6.17: Central Metro regions experienced the largest growth in number of renter households
(increase in renter households, 1990-2000)

	Central	East	West
Metro	83,872	22,483	13,287
Micro	12,871	7,562	4,569
Rural	1,517	3,995	4,443

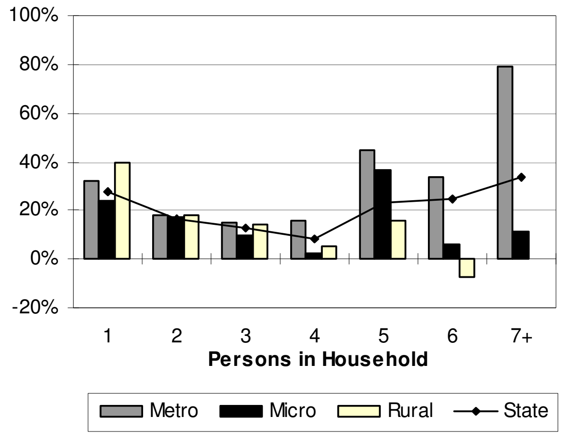
From 1990 to 2000, metropolitan counties experienced a tremendous increase in the number of large (5 or more related persons) renter households (Figure N.6.18). More specifically, between 1990 and 2000 the Central metro regions received almost 80% of the state's growth in large households and nearly half of the state's increase in small households (1 to 2 people).

The number of small households in the state increased by almost 111,000 between 1990 and 2000. The number of small households increased in all MSA categories (Metro, Micro, and Rural) in each geographic region (Central, East, and West). (See Appendix A for a map of these regions.) Two-thirds of this growth occurred in the central and eastern metro regions. The western micro regions and central, eastern, and western rural regions each received less than 3.5% of the state's growth in small households. Almost a quarter of the state's total growth of renter households was comprised of 1-person households in the central metro regions.

The number of large households in the state increased by almost 17,000 between 1990 and 2000. Of this growth the central metro regions experienced almost 80%. The only other areas of the state to experience a noteworthy increase in large households are the western metro regions and the central micro regions; all other areas of the state combined only received 1.2% of the state's growth of large households.

[41] The map of the regions is Appendix B. In the counties comprising the Central region are Raleigh, Durham, Chapel Hill, Winston-Salem, Greensboro, and Charlotte.

Figure N.6.18: Metro regions experienced more growth in large households than micro and rural regions.
(Average increase, for counties in each metro category, of households of each household size)



If the trends in the last 10 years continue for the next ten, the state's central metro regions will continue to experience large increases in both large and small renter households.

Subsidized Housing

There are numerous different rental housing subsidy programs run by federal, state, and local governments. However, despite the many different programs; all the programs either subsidize the rent (demand-side) or subsidize the development/rehabilitation (supply-side).

Demand-Side Programs
Demand side programs come in the form of rental assistance or operating subsidy. The large majority of rent assistance programs are federal. They can either be tenant-based or project-based. In a tenant-based rent assistance program, individual households qualify for rent assistance. If they decide to move, they can take their rent assistance with them to their next home. Project-based rent assistance is rent assistance tied to a specific development or unit. An income qualified person living in the unit receives the rent assistance only if they are living in that unit. When they move, the assistance does not come with them.

Supply-Side Programs
Supply-side programs come in all shapes and sizes—from simple, direct grants to developers, to the Low Income Housing Tax Credit Program. However, the end result of all supply-side programs is that owners are able to (and required to) charge less rent because they have lower debt service. Supply-side programs can be sufficient to allow owners to set rents low enough to reach renters with incomes between 30% and 60% of Median Family Income (MFI). However, renters with incomes below 30% usually require rent-assistance even to afford to live housing developed with supply-side subsidies. For that reason, supply-side and demand-side programs are frequently combined. One example of this is public housing. When public housing was still being constructed, housing authorities received grant funding for the construction of their units. However, in order to house their residents (who frequently have incomes below 30% of MFI), housing authorities also need to subsidize the operating costs on those units.

As a part of this analysis of the rental housing market, NCHFA has begun an inventory of subsidized, permanent rental housing in North Carolina. The count is still in progress and will likely have changes in future drafts of this document. The count currently does not include rental housing funded only by local governments or nongovernmental sources. It only includes rental housing with subsidized rent either through demand-side or supply-side programs. In all, it is currently estimated that North Carolina has over 119,000 subsidized, permanent rental housing units.

Figure N.6.19: Subsidized, Permanent Rental Housing

	Number of Units
Federal Programs	
Public Housing	37,835
Section 202 *(elderly and disabled only)*	6,975
Section 811 *(disabled only)*	1,007
Section 515	21,767
Project Based Section 8[1]	21,194
Section 221(d)(3)	*2,109*
Section 221(d)(4)	*7,499*
Section 236	*3,120*
Section 515	*2,609*
Section 8 only	*5,857*
State Programs (NCHFA)	
LIHTC	29,215
Other Rental Development Programs	11,658
Supportive Housing Development Program *(disabled or homeless only)*	226
Total [2]	119,534

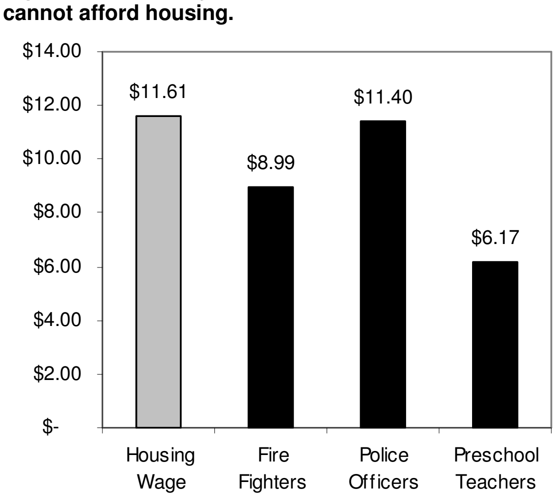
Notes: (1)Some of the programs listed under Project Based Rent Assistance (Sections 221(d)(3), 221(d)(4), and 236) produced more total units than are listed. However only those units that were assisted (receiving Section 8 subsidy) were listed as the other units are likely to be market rate housing.
(2)Many developments received funding from more than one source. The total shown has counted those units only once.

Current Housing Needs

According to the 2000 Census, over 358,000 renter households (or 37.4% of all North Carolina's renter households) had a housing problem. A housing problem is defined as having one or more of the following problems: being cost burdened (paying more than 30% of income for housing costs), being overcrowded (more than one person per room), or being without complete kitchen or plumbing facilities. For 84% of the renter households with housing problems (or over 302,000 households), one of the problems is cost. (Note: For the entire cross-tabulation table, see Appendix B.)

According to the National Low Income Housing Coalition's 2003 Out of Reach Report, 41% of North Carolina's renter households (over 393,000 households)were unable to afford a two-bedroom apartment at the Fair Market Rent in 2003. A household would need to earn $11.61 per hour in order to afford a two-bedroom apartment at FMR. This is a higher wage than the average starting salary for firefighters, police officers, and preschool teachers in North Carolina (Figure N.6.20).

Figure N.6.20: Many of North Carolina's vital workers cannot afford housing.



Income

In Regional Housing Needs meetings that were conducted across the state, the most frequently cited urgent housing need was rental housing for those with incomes below 30% of the median family income. This is confirmed by the available data.

Low-income renters make up a disproportionate share of renters with a housing problem. Of the 358,729 renter households with a housing problem, 322,881 (or 90%) of them are earn less than 80% of the median family income. In contrast, all low-income households make up only 61% of all renters. Over 55% of low-income renters have a housing problem and for 90% of them one of those problems is cost burdening.

Extremely low-income (ELI) renters have the highest frequency of housing problems. Seventy percent of all ELI renter households have a housing problem (Figure N.6.21). Over half (53%) of all ELI renter households, or over 110,000 households, are severely cost burdened—paying more than half of their incomes for housing costs. Surprisingly, according to HUD's cross-tabulations of the 2000 Census data, ELI renter households also report the lowest frequency of having other housing problems (overcrowding, lacking complete kitchen facilities, and lacking complete plumbing facilities) without cost burdening.

Very low-income (VLI) renter households have housing problems with almost as high frequency as ELI renter households. However, their problems are not as severe as ELI renter households'—the majority of VLI renter households with a housing problem are moderately cost burdened (paying between 30% and 50% of their incomes for housing).

Figure N.6.21: Over half of extremely low-income renters are severely cost burdened.

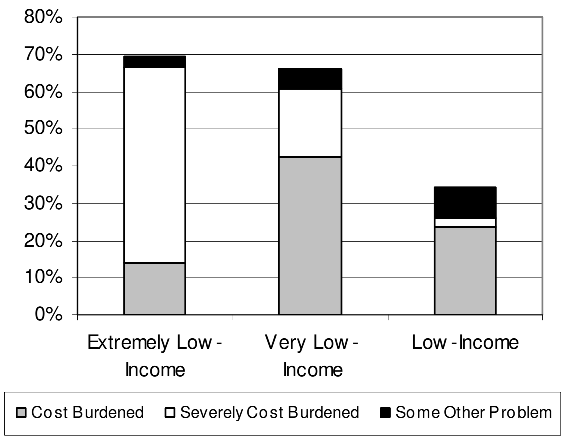
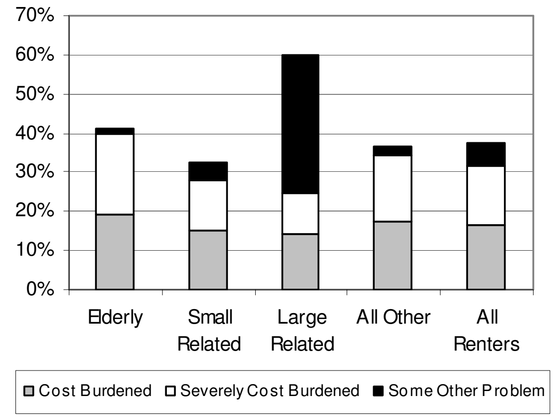


Figure N.6.22: Large related renter households have a high rate of non-cost-related housing problems.



It is important to note that while extremely low-income renters have the most severe housing needs, the percentage of households with a housing problem does not drop significantly until the low-income category. Both extremely low- and very low-income households have a severe need for affordable rental housing.

Household Type

HUD's cross-tabulations of the 2000 Census data define four types of households: elderly (1 or 2 person households, either person 62 years old or older), small related (2 to 4 related household members), large related (5 or more related household members), and all other households. Large related households have the highest frequency of housing problems—60.1% (Figure N.6.22). While they have the lowest frequency of cost burdening of all household types, their rate of non-cost-related housing problems is 30 percentage points higher than that of the next highest household type. While the cross-tabulations do not break down non-cost-related housing problems into three components, it is reasonable to assume that the majority of large related households with a housing problem are overcrowded.

Large related households continue to have the highest percent of problems when looking at household type within income groups. Eighty-seven percent of extremely low-income, large related renter households have a housing problem. Unlike the household type as a whole, ELI large related households also have the highest rate of cost burdening (74%). Large related households continue to have a high rate of housing problems across income categories. In fact, over 40% of large related renters that are not low-income continue to have non-cost-related housing problems.

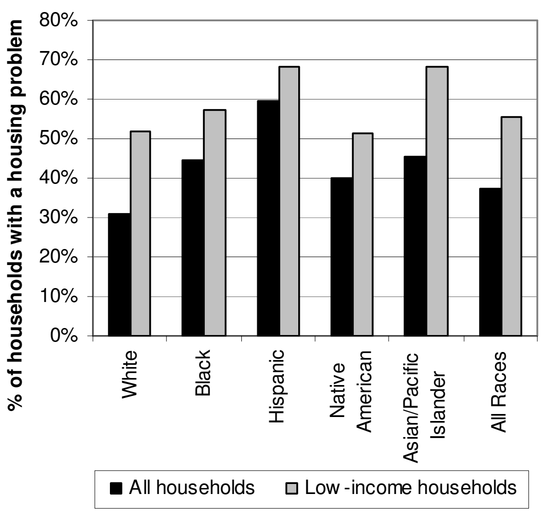
Elderly renter households have the highest rate of both moderate and severe cost burdening. Forty percent of all elderly renter households are cost burdened, and 21% are severely cost burdened. Interestingly, extremely low-income elderly renter households actually have the lowest percentage of housing problems of all household types. It is possible that this is because there is more subsidized housing rental housing available only for elderly households.

Race

Renter households of different races and ethnicities have housing problems with differing frequencies. Hispanic renter households have housing problems with the highest frequency—over half of all Hispanic households (59%) have a housing problem (Figure N.6.23). White, non-Hispanic renter households have the lowest frequency of housing problems, still, almost one third of all white, non-Hispanic households have a housing problem.

It is important to control for income when looking at housing problems, as some race/ethnicity groups tend to have lower incomes than others. Hispanic and Asian/Pacific Islander low-income renter households have the highest frequency of housing problems (68%). In all of the race categories over half of the low-income households have housing problems.

Figure N.6.23: Hispanic and Asian/Pacific Islander households have the highest incidence of housing problems.



For extremely low-income and very low-income renter households, each racial/ethnic group makes up a share of the households with housing problems that is proportional to its share of all the households within that income group. However, for renter households with incomes above 50% of median family income, Hispanic households comprise a disproportionate share of the households with a housing problem.

Hispanic households are 8% of all renter households earning 50-80% of MFI, but make up 12% of the households with a housing problem in that income category (Figure N.6.24). Hispanic households make up 6% of all renter households earning more than 80% of MFI, but are 26% of the households with a housing problem in that income category.

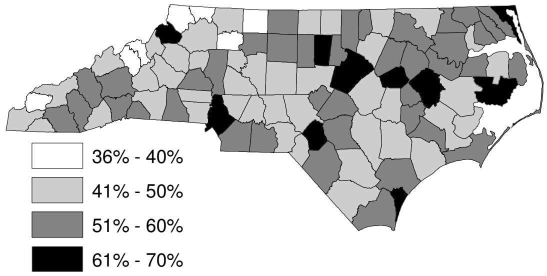
Figure N.6.24: Higher income Hispanic households comprise a disproportionate share of higher income households with a housing problem.

		50-80% MFI	80%+ MFI
White	% of All Households	**59%**	**70%**
	% of Households with Problem	**55%**	**43%**
Black	% of All Households	31%	22%
	% of Households with Problem	30%	25%
Hispanic	% of All Households	**8%**	**6%**
	% of Households with Problem	**12%**	**26%**
Native American	% of All Households	1%	1%
	% of Households with Problem	1%	1%
Asian/ Pacific Islander	% of All Households	2%	2%
	% of Households with Problem	2%	5%

Location

When looking at HUD-defined housing problems, urban counties had the highest percentage low-income renter households with housing problems (Figure N.6.25). Orange, Watauga, and New Hanover counties have the highest percent of low-income renter households with a housing problem (70%, 67%, and 66% respectively). Stokes, Alleghany, and Yadkin counties had the lowest percent (37%, 37%, and 36% respectively).

Figure N.6.25: Low-income households in urban counties have a higher percent of HUD-defined housing problems.



It is important to point out that HUD-defined housing problems are mostly driven by cost burdening. Condition of housing is only measured as a problem if it is reported to lack complete kitchen or plumbing facilities. In the Regional Housing Needs meetings, participants in rural counties (those least likely to have cost burdening) repeatedly cited condition problems in their rental stock affordable to low-income households. Some mentioned that poor quality mobile homes were the main source of "affordable housing".

In summary, although the urban areas of the state may have condition problems, their main rental housing problem appears to be cost burdening. In contrast, the main housing problem of the more rural areas of the state seems to be condition of housing.

Stock

As stated earlier, in the rental stock section, condition data is not widely available for North Carolina. According to estimates using the American Housing Survey data, there are an estimated 71,368 rental housing units with a moderate condition problem and 33,256 with a severe condition problem.

As of the 2000 Census, 9,811 North Carolina households lived in rental housing units lacking complete plumbing facilities and 10,092 North Carolina households lived in rental housing units lacking complete kitchen facilities. Rural and micropolitan counties have a higher share of these units than do metropolitan counties.

In the Regional Housing Needs meetings held across the state, participants in the rural areas stated two distinct housing stock problems as contributing to the housing problems of their clients. In some areas, participants stated that the rental stock available and affordable in their region was in poor condition and in need of rehabilitation. Some participants mentioned that their Section 8 rent assistance recipients were having a difficult time finding rental housing that met the U.S. Dept. of HUD's Housing Quality Standards. In other areas, participants stated that there was a lack of rental housing of any condition and that they had a need for new rental units to be constructed.

Additional Housing Needs

There are several groups which due to disability, age, or other special circumstances have distinct housing needs.

Elderly
Since 1999 the Governor's Advisory Council on Aging and the Senior Tar Heel Legislature have advocated for expanding the availability of affordable rental opportunities for older adults with low incomes. While only 19% of elderly households are renters, 41% of elderly households with mobility or self-care limitations are renters. About half of all elderly renters (48%) have a mobility or self-care limitation. Over 40% (42.6%) of these households had a housing problem in 2000. This figure does not differ significantly from the percentage of all elderly renters with a housing problem (41.3%), but does not take into account the accessibility problems that households with mobility or self-care limitations may face. Elderly renter households both with and without mobility and self-care limitations tend to have fewer housing problems than do other types of renters. However, there are still over 50,000 elderly renter households with a housing problem.

Additionally, elderly households frequently have low, fixed incomes. Elderly households receiving only SSI income receive only $579 per month. If a household on SSI pays the 30% of income considered affordable for housing, this would leave only $406 for all other expenses combined, including expenses for medication. More than 55,400 elderly households earn less than 30% MFI. For renters at such low incomes, operating subsidies or rent assistance are required to bridge the gap between tenant income and the cost of operating the housing units.

Both elderly homeowners and elderly renters express a strong preference for remaining in their homes as they age. Rehabilitation of appropriate homes, maintenance, weatherization, and installation of assistive devices (ramps, rails, grab bars) are cost effective ways to help seniors remain in the community and prevent premature institutionalization. Obstacles to addressing these needs are inadequate funding, the lack of specific statewide data on housing rehabilitation needs and an inadequate housing delivery system for rehabilitation.

Many seniors with mobility and self-care limitations can live independently with appropriate support services. While this is a cost effective alternative to institutionalization, the NC Division of Aging and Adult Services reports waiting lists for a full range of in-home and community based services.

Over the past decade there has been a dramatic increase in the number of private, self pay, housing with services and continuing care retirement communities in the state. These models offer seniors both housing and a variety of services and often include varying levels of care from independent living to skilled care as part of the same development. While these are popular and successful models for seniors with sufficient incomes, it has been a difficult model to replicate for low income seniors. Affordable housing with services requires public funding for housing development, rental assistance and supportive services. The range of financing support needed to develop these models are administered by different agencies with different eligibility requirements and program requirements that make them extremely difficult to combine.

Elderly-only rental developments with off-site supportive services through service coordination, are a popular and effective rental model for seniors. North Carolina historically maximizes its annual allocation of HUD 202 funding (which provides capital development grants and ongoing rental assistance) to develop supportive housing for the low income elderly but with an allocation of only 115 units in 2004, the supply does not meet the demand.

Persons with Disabilities
Because of the severity of their disability, many adults with disabilities are unable to work full-time. Some receive SSI and some work part-time. Most have extremely low incomes. In 2003, the fair market rent of an efficiency apartment was more than 250% of what a person receiving SSI could afford, and a one-bedroom apartment cost more than 300%.

A person receiving SSI is only able to afford \$166 per month in housing costs. Assuming utility costs of about \$60/month, an SSI recipient is able to pay at most \$106 per month in rent. This rent is only half of the \$200 to \$250 that it costs to operate a rental housing unit if the unit has no debt service at all. Therefore, affordable housing for people receiving SSI (or with incomes as low) must include a rent or operating even if the development is entirely grant-financed.

Supportive housing (independent housing units where residents have access to adequate and flexible support services tailored to their individual needs) is a housing model that can meet the needs of individuals across disability categories. While the support service needs of the individual will vary according to the type and severity of their disability, the need for affordable and accessible housing units is common across all disability categories.

Meeting the need for supportive housing across disability populations will require a range of strategies. For some populations, such as persons with substance abuse problem, or persons transitioning from homelessness or an institution, there is a need for transitional housing and halfway houses for both individuals and families (so that children can remain with their parents). Too often the state's limited transitional housing resources are not serving those who would most benefit simply because current residents cannot "transition" out of their unit due to a lack of affordable and accessible permanent housing.

The need for permanent housing with appropriate supports that is accessible and affordable include scattered site independent units, clustered independent apartments that can foster a sense of peer support, and for those with the most severe disabilities, small scale structured settings that are designed to maximize the individual's potential for independence through specialized services and skill building.

Given the extremely low incomes of the persons with disabilities, all of these models, whether developed through new construction or utilizing existing housing stock, will require rental assistance or operating subsides that can bridge the gap between tenant income and the cost of operating housing units.

North Carolina does not support the housing costs of persons with disabilities outside of licensed facilities. This contributes to the state's dependence upon facility based care, as many facility residents could live independently if affordable and accessible community options were available to them. This includes many of the state's specialized group homes for persons with mental illnesses and developmental disabilities, where if affordable housing was available many current residents' needs could be met in the community, freeing up these resources for persons who need this more intensive level of support.

Many persons with mobility impairments face an additional barrier in finding housing that is accessible. There are limited funds available to retrofit housing units to meet these needs and while the overall number of accessible units has been increasing under legal mandates, the number of these that are affordable to extremely low income person remains small.

The Independent Living Program (ILP) assists individuals with severe mobility impairments to live more independently. Many ILP constituents are young adults who are currently living in nursing homes and other institutional settings simply because adequate accessible housing options affordable to persons with extremely low incomes are not available. According to the ILP Transitions staff "finding affordable and accessible housing is one of, if not the most significant barrier to individuals who are looking to move from institutions back to homes in their communities."

HIV/AIDS

According to the North Carolina Epidemiological Profile for HIV/STD Prevention & Care Planning (07/05), NC ranks as the eleventh most populous state in the nation and experienced rapid growth from the 1990 to the 2000 Census. It has the seventh largest non-White population in the nation. In 2000, the racial/ethnic make-up of the state was about 22 percent Black or African American (non-Hispanic), 71 percent White (non-Hispanic), 5 percent Hispanic with the remaining proportion consisting of primarily American Indians and Asians or Pacific Islanders. The state was ranked 37th in the nation for per capita income in 2004, with 14 percent of its population at or below the federal poverty level (2002-2003). Recognizing North Carolina's diverse population is important to understanding the impact of HIV/AIDS and other STDs on the state because these diseases disproportionately affect minorities and the economically disadvantaged.

In 2004, 1,641 new individuals were reported with an HIV and/or AIDS diagnosis (HIV disease). The overall HIV disease infection rate is 19.5 per 100,000 persons. The cumulative number of HIV disease cases reported through December 31, 2004 was 26,818, of whom, 8,858 have either died or have an unknown status. Therefore, the total number of persons living with HIV/AIDS and reported to the HIV/STD Prevention and Care Branch is 17,960. Based on CDC's formula for estimating prevalence (two-thirds to three-fourths of the persons living with HIV/AIDS have been tested and know their status), North Carolina's current surveillance total of 17,960 persons would increase to an estimated 28,000 persons living with HIV or AIDS in the state of North Carolina.

While trends among new HIV disease reports can indicate prevention needs, estimates of persons living with HIV or AIDS can indicate service and care needs. As a result, health providers are working to provide enough housing and services for the increased number of persons living with HIV or AIDS in the state. There is a desperate need for adequate housing that provides not only safety and comfort, but also a base in which to receive supportive services, care and support.

Data from a housing survey of persons living with HIV/AIDS is currently available. The survey was conducted by AIDS Housing of Washington in conjunction with the creation of the North Carolina HIV/AIDS Plan.

Of the over 600 persons responding to this survey, 80% reported at least one challenge that made their daily lives difficult. Fifty percent indicated that HIV/AIDS was a daily challenge, 32% indicated physical challenges, 9% indicated alcohol abuse, and 9% indicated drug abuse. The median income of the survey respondents was only 75% of the U.S. poverty threshold or only 18% of the median family income for a one-person household in North Carolina. Thirty-six percent of respondents received SSDI and 35% received SSI. Only 22% were getting paid for work. The median amount of income survey respondents spent on housing costs was 55%. In other words, half of the survey respondents were paying more than half of their income for housing. This is similar to the cost burdening rate for other extremely low-income households. Respondents in the East and Hispanic/Latina females had median percentages of 62% and 63% respectively. Additionally, 68% of respondents indicated that they would not be able to pay a $50 increase in monthly rent or utilities. Total average housing costs for the respondents were $359 per month. Forty-five percent of respondents were receiving housing assistance of some sort.

More than half of respondents were renters. Fifteen percent owned their own home (which, according to focus groups are most typically mobile homes) and 12% were staying with friends or family indefinitely.

Many respondents reported housing quality problems such as insects or rodents, lack of heating, lack of air conditioning, and incomplete bathrooms. Additionally, nearly one-quarter of respondents indicated that there was illegal drug activity, violence, or other criminal activity occurring in their building or neighborhood.

Forty-three percent of respondents had been in jail or prison. More than one-quarter of respondents indicated that they had experienced discrimination, usually due to criminal history, HIV/AIDS status, or race. One-third of all respondents had experienced homelessness, many for more than one month.

The vast majority of respondents preferred not to live in HIV/AIDS-only housing when offered the choice of living in housing available to everyone or housing only for people living with HIV/AIDS. Many respondents (55%) preferred to live where services were available onsite throughout the day.

As can be seen from the survey results, like those with mental illnesses or developmental disabilities, persons with HIV/AIDS tend to have extremely low-incomes. In order for them to be housed adequately and affordably, rent assistance or operating support is needed in addition to any development financing or grants made available.

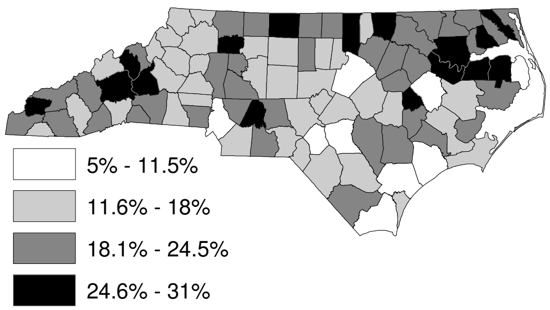
Elevated Blood-Lead Levels

In 2000, there were 168,958 renter households with children under the age of six. That means there is a need for a minimum of 168,958 lead-safe housing units.

Though lead-based paint was used in homes until 1978, higher concentrations are found in homes built prior to 1950, thus pre-1950 housing is often used as an indicator of housing containing lead-based paint.

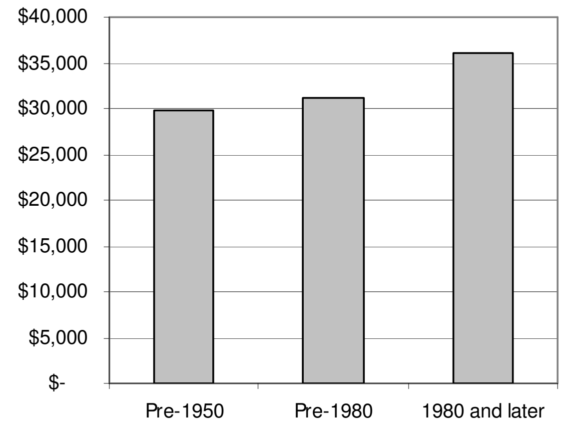
Overall, fifteen percent of North Carolina's rental housing (or 144,753 housing units) was built pre-1950. Two-thirds of the pre-1950 units are located in metropolitan counties, but the largest metro counties have relatively low percentages of pre-1950 renter housing (Figure N.6.26).

Figure N.6.26: Except Buncombe, the counties with high percentages of pre-1950 rental housing are outside the hubs of MSAs.



In North Carolina, renters of housing built before 1950 are a lower-income population: they have an average income $6,000 less than that of renters of housing built from 1980 (Figure N.6.27). Additionally, households with children under the age of five are twice as likely to be in poverty than the entire population, and over four times as likely than households with no children. Houses of lower-income families are also more likely to be of poorer quality and in worse condition. Additionally, rental houses are more likely to be deteriorated than owner-occupied homes.

Figure N.6.27: Renters of older housing tend to have lower incomes.



According to the North Carolina Department of Environment and Natural Resources' Childhood Lead Poisoning Prevention Program, there are currently 267 rental units that require remediation by law (because it ahs been confirmed that children in the unit have blood lead levels greater than 20µg/Dl). In addition, there are 337 rental housing units for which remediation is recommended (blood lead levels ≤ 10µg/Dl).

Future Housing Needs

While it is not possible to quantitatively measure rental housing needs in 2004, participants at the Regional Housing Needs meetings repeatedly stated that their clients' rental housing needs were getting worse, not better. Despite the tens of thousands of affordable rental units added to the rental market in the state from 1990 to 2000, the percent of low-income renters with housing problems has only dropped by 2%, and the percent with severe cost problems has increased by 1% (2% for extremely low-income renters). There were almost 50,000 more low-income households with a housing problem in 2000 than there were in 1990.

Most of the data on housing needs cited in this report was collected in the late 1990s, at the peak of a booming economy. Since then North Carolina has experienced increasing unemployment and an economy shifting from the manufacturing sector to the service sector, with a resulting loss of income for many.

At the same time, North Carolina has also seen a softening of many of its rental markets. This has made rental housing more affordable for many, as apartment complexes lowered their rents. However, complexes can only lower their rents so far before they begin to lose money. Most extremely low-income renters cannot afford even these lowered rents.

Will North Carolina's trend of an increasing number of households with housing problems continue? While this is possible, it seems more likely that the situation will worsen.

According to *The State of the Nation's Housing*, by the Joint Center for Housing Studies of Harvard University, "even at current levels housing assistance programs reach only a small fraction of the lowest-income households who are in desperate need." Yet, there is considerable pressure to cut federal rent assistance for extremely low-income households and to eliminate the federal HOPE VI public housing funding.

Rental demand could surge if interest rates rise. Independent of the economy, the increase in elderly households will soon start to favor rental markets. The foreign-born population continues to increase and the children of baby-boomers will soon be able to form their own households. Because both young adults and the foreign born are more likely to be renters, these trends point to a strengthening of rental markets over time. With North Carolina's age and racial/ethnic trends mirroring the nation, this is likely to be the case in North Carolina as well. While strong rental markets are certainly good news for landlords and rental investors, it makes rental housing more expensive and thus less affordable.

Many subsidized rental housing programs require, in exchange for the subsidy, that the rents be kept affordable to low-income households for a specific period of time. Many rental apartment complexes are reaching the end of their affordability period, which means the rents may soon rise out of the range affordable to low-income renters. North Carolina ranks 17th in the nation in the number of "expiring apartment complexes" with 46 HUD mortgages scheduled to expire by 2013. These developments are in both urban and rural areas. Certainly not all owners will decide to make their apartments market rate, but all will have that option.

In the next five years, North Carolina is likely to need more rental assistance, new construction of affordable rental housing, and rehabilitation and/or preservation of existing affordable housing. Without increased availability of funding for rent assistance, it is unlikely that the state's current resources will be able to meet the state's biggest rental housing needs.

HOUSING FOR HOME BUYERS

Topics:
- Current Market
- Current Housing Needs
- Future Housing Needs

Highlights:
- From 1998 to 2003 housing prices appreciated 21.4% in NC
- Prices only declined in three Multiple Listing Service areas
- North Carolina's homeownership rate is 69.4%
- Homeownership rates are higher for white people than for minorities
- 20.7% of homeowners have a housing problem
- In many areas of NC home prices are well above what people at 100% of area median income can afford

Current Market

Vacancies

According to the 2000 Census, there were more than 52,000 units in North Carolina that were vacant for sale; this is 13.3% of the total vacant units and 2.4% of all potentially owner-occupied units.

Costs

Statewide, over the 5-year period from 1998 to 2003 housing prices appreciated 21.4%[42] (18.9% in real dollars). Over that time period the median family income (according to HUD) increased 25.6% - more than keeping up with the appreciation in sales prices.

Figure N.7.01: In every MSA below except Hickory-Morganton-Lenoir and Norfolk-Virginia Beach-Newport News the increase in Median Family Incomes 1998-2003 has exceeded the increase in house prices.

MSAs	% change in house price	% change in MFIs	difference
Wilmington	18.9%	30.0%	11.10%
Triangle	18.7%	27.6%	8.91%
Greenville	18.1%	24.5%	6.38%
Charlotte-Gastonia-Rock Hill	19.2%	24.6%	5.40%
Jacksonville	23.5%	28.7%	5.16%
Triad	18.7%	22.0%	3.28%
Rocky Mount	15.2%	17.9%	2.65%
Goldsboro	20.9%	22.5%	1.63%
Hickory-Morganton-Lenoir	22.2%	20.9%	-1.37%
Norfolk-Virginia Beach-Newport News	37.8%	23.8%	-14.06%

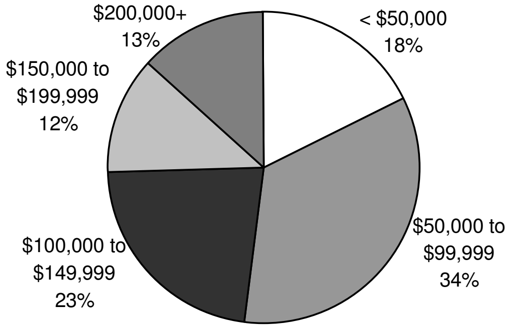
The various sources of information available about house prices differ, primarily because they include different units in their calculations.

According to the 2000 Census, 52% of all homes that are vacant-for-sale are priced at less than $100,000, and 76% are priced lower than $150,000.[43] Approximately 72% of the units for sale are in metro counties, and only 7% are in rural counties. Of the 52% of all units that are priced below $100,000 (Figure N.7.2), 62% are in the metro counties, and only 10% are in rural counties. This is roughly in proportion to where low-income household live; 66% live in metro counties and 10% in rural counties.

[42] This is HMDA data from the Office of Federal Housing Enterprise Oversight, from the March 1, 2004 press release. This data was compiled using the sales prices for individual units that sold multiple times in a given period.

[43] Because this is census data, it does not include the prices for newly-constructed (not yet occupied) homes.

Figure N.7.02: In North Carolina 52% of all vacant-for-sale units are priced lower than $100,000.



Source: 2000 Census

The National Homebuilders Association publishes median sales prices for metropolitan areas throughout the country (Figure N.7.03)[44]. This price includes both new and existing homes. With the exception of the Triangle region (Durham, Raleigh, and Chapel Hill), North Carolina metropolitan areas' median sales prices were below the national average. The area with the highest median home price was the Triangle region ($162,000) and the area with the lowest price was Fayetteville ($95,000).

The median sales price-to-income ratio for all North Carolina metro areas was well above two (two times the estimated median family income in 2002). This ratio ranged from 2.17 in Fayetteville and Rocky Mount to 2.59 in Ashville.[45] (Figure N.7.03) This data indicates that the median newly-constructed house in these regions is affordable to a household at the median family income. Participants at the Regional Housing Needs meetings across the state uniformly disagreed that new homes were affordable in their areas.

Figure N.7.03: Median Sales Prices are less than 2.5 times the Median Family Income, according to the National Association of Home Builders.

Metro Area	2002 Median Family Income	2002 Median Sales Price	Price: Income Ratio
Asheville	$49,000	$127,000	2.59
Charlotte MSA	$64,100	$153,000	2.39
Fayetteville	$43,700	$95,000	2.17
Goldsboro MSA	$45,300	$108,000	2.38
Triad MSA	$56,100	$125,000	2.23
Greenville MSA	$49,100	$110,000	2.24
Triangle MSA	$71,300	$162,000	2.27
Rocky Mount MSA	$48,800	$106,000	2.17
Nation	$54,400	$160,000	2.94

Source: National Homebuilders Association

Data from the NC Association of Realtors shows a different picture; it shows that only in Fayetteville and Rocky Mount can the average home be considered "affordable" to a household earning the median income (Figure N.7.04).

Figure N.7.04: Average Sales Prices are not less than 2.5 times the median family income, according to the North Carolina Association of Realtors.

Metro Area	2002 Median Family Income	2002 Average Sales Price	Price: Income Ratio
Asheville	$49,000	$194,020	3.96
Charlotte MSA	$64,100	$191,678	2.99
Fayetteville	$43,700	$101,018	2.31
Goldsboro MSA	$45,300	$124,663	2.75
Triad MSA	$56,100	$158,554	2.83
Greenville MSA	$49,100	$128,482	2.62
Triangle MSA	$71,300	$201,939	2.83
Rocky Mount MSA	$48,800	$113,720	2.33

Source: North Carolina Association of Realtors

NC Association of Realtors data shows that of the multiple listing service (MLS) areas for which information is available, only the Fayetteville, Catawba Valley, and Rocky Mount MLS areas have seen a decline in average sales prices from 1998 to 2003 (Figure N.7.05). In all other MLS areas for which the Realtor's association collects consistent information the real prices have increased, and across all MLS areas the average sales price increased by 21% over that time period.[46] This data indicates that

[44] NAHB uses sales price information from First American Real Estate Solutions (formerly, TRW).
[45] This data covers only newly-constructed homes.

[46] This data covers only homes listed in the Multiple Listing Service; it does not include homes that are for sale by owner.

nearly everywhere in the state, homes are getting more expensive.

Figure N.7.05: All MLS areas except Catawba Valley, Fayetteville, and Rocky Mount have seen an increase in inflation-adjusted sales prices.

Multiple Listing Service Area	1998 Average Cost	2003 Average Cost	Increase, in real dollars
Asheville	142,190	194,020	21%
Catawba Valley	116,585	126,537	-4%
Carolina (Charlotte)	162,389	191,678	4%
Fayetteville	100,252	101,018	-11%
Goldsboro	102,555	124,663	8%
Greenville	110,849	128,482	3%
Haywood	117,248	164,241	24%
Hendersonville	146,946	186,502	12%
Outer Banks	190,381	428,007	99%
Rocky Mount	113,784	113,720	-12%
Pinehurst/Sandhills	159,235	195,771	9%
Triad	140,322	158,554	0%
Triangle	174,389	201,939	2%
Wilmington	160,501	186,845	3%
Wilson	104,420	124,575	6%
Totals	135,223	184,824	21%

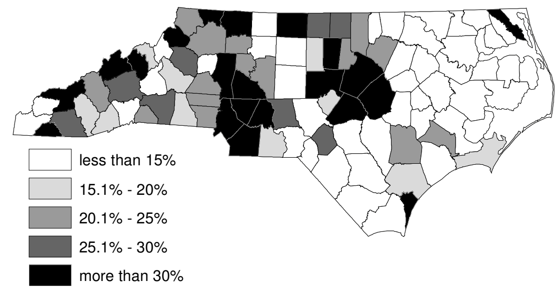
Source: North Carolina Association of Realtors

Census information shows that homes are most expensive in the metropolitan areas and in resort and retirement communities. The most expensive counties were, in this order: Orange Transylvania, Wake, Dare, Watauga, Mecklenburg, New Hanover, Moore, and Union.

The value of owner-occupied homes varies around the state, with the lowest-valued homes in the Eastern rural counties. The average of the median home values in the rural counties was $11,000 lower than the average of the median values of micro counties, and $24,000 less than the average of the median values of metro counties. The average of the median values of the owner-occupied homes in the east was $11,000 less than in the west and almost $19,000 than in the central region.[47]

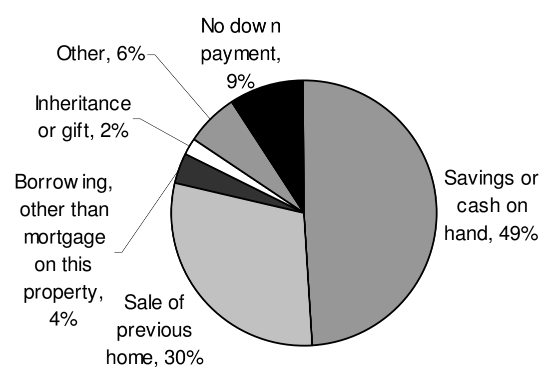
Not all counties have experienced significant growth in the value of the owner-occupied homes in the counties. The highest change in value has primarily occurred in certain (but not all) major metropolitan areas, and in neighboring counties (Figure N.7.06, from Census data).

Figure N.7.06: Metro areas and some mountain counties have seen large increases in home values between 1990 and 2000.



One considerable cost for homeowners is the down payment. Typically, a household is required to pay 20% of the value of the home as a down payment in order to avoid being required to purchase mortgage insurance. Most loan products require that the owner pay some amount in a down payment, even if the owner will be financing mortgage insurance. In the South, 79% of current homeowners either used savings or proceeds from the sale of a previous home to pay the down payment (Figure N.7.07)

Figure N.7.07: Nearly half of all current owners used savings for the down payment on their current home.



Development Costs

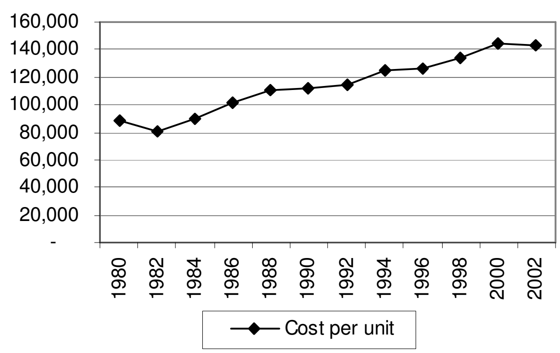
Development costs and sales prices vary across the state. The location of development indicates, by and large, the

47 2000 Census values.

places where there is demand and the profit margin for the developer is highest. The most development has been occurring in central metro counties. In 2002, 30,500 building permits were issued in those counties; this is 38% of the total building permits issued in the state. Fully 60% of the permits were issued in the central counties, 63% in the metro counties, and 19% each in the micro and rural counties.

Census information indicates that development of single-family units has become more expensive over time (Figure N.7.08). The dollar values in this figure have been adjusted for inflation.

Figure N.7.08: Development costs per unit of new privately-owned single units have increased.
(Development costs per unit in real dollars.)



Source: U.S. Census Bureau

Trends and Projections

Households are applying for loans in certain areas of the state more than others. HMDA data shows that the MSAs around the Triangle, the Triad, and Charlotte account for 62% of all loan applications in the state's MSA regions (Figure N.7.09). These areas are likely to continue to be large real estate markets.

Figure N.7.09: 62% of all loan applications in MSAs are in the Charlotte-Gastonia-Rock Hill, Triad, and Triangle MSAs.

MSAs	Loan applications in 2003
Asheville	6,289
Charlotte-Gastonia-Rock Hill	48,496
Fayetteville	4,348
Goldsboro	1,905
Triad	27,738
Greenville	3,369
Hickory-Morganton-Lenoir	6,220
Jacksonville	2,632
Triangle	34,602
Rocky Mount	2,261
Wilmington	9,351

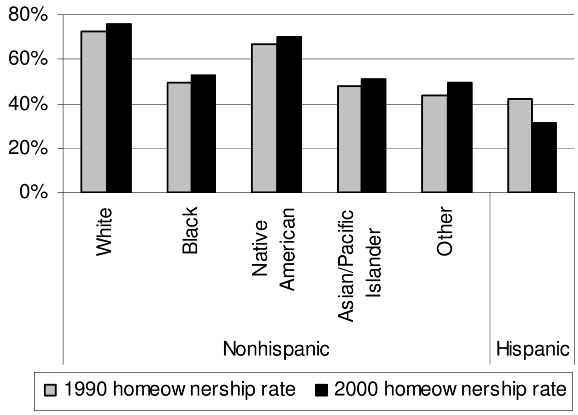
Source: HMDA Data

As the affordable housing industry has grown in the last few decades, lenders have begun offering loan products with extremely low or no down payment requirements. The goal of these programs has been to allow households without savings but with the ability to make monthly mortgage payments to become homeowners.

The State has seen a trend toward increased homeownership rates. There were nearly 450,000 more homeowners in 2000 than in 1990. The Hispanic population in particular, although seeing a decline in the homeownership rate, experienced a more-than-tripling in the number of homeowners over that ten-year period.

The state's home ownership rate is 69.4%. White non-Hispanic households have a homeownership rate exceeding this rate (with a rate of 70%), and all other categories except non-Hispanic Native Americans have homeownership rates below 69.4% (Figure N.7.10). The homeownership rate of non-Hispanic Native Americans is 70%, of non-Hispanic Blacks is 53%, non-Hispanic Asian/Pacific Islanders is 51%, and non-Hispanics of other races is 50%. This indicates that that the market for homeownership in the future will be among minority households.

Figure N.7.10: Nonwhite households have homeownership rates substantially below the state's rate.



Current Housing Needs

In the affordable housing industry, homes are considered affordable to a household if they can pay the costs associated with ongoing homeownership (mortgage, taxes, insurance, utilities, etc.) without using more than 30% of the household's income.

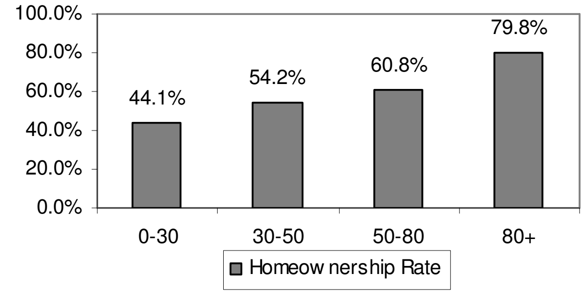
One rule of thumb states that a household can generally afford to buy a home worth 2.5 times the households annual income. This holds true only with certain interest rates and only if the households can afford sizable down payments (near 15% of the sales price).

Income
Low-income households are less able than moderate- and upper-income households to save sizable down payments. They also frequently have credit histories that disqualify them from prime and fixed interest rates. Additionally, low-income households have less ability to pay housing expenses without exceeding 30% of the household income.

In the Regional Housing Needs meetings, all three of these reasons were cited as problems for the low- and moderate-income potential home buyers in the areas. The lack of down payment assistance was particularly sited as a problem in the Sanford meeting. The difficulty in affording homeownership was mentioned as a problem in every meeting held. Participants in the Asheville and Boone meetings reported that in their regions even non-low-income households are unable to afford to buy homes in their markets.

While 69.4% of all North Carolina households are homeowners, only 54.1% of all low-income households are (Figure N.7.11).

Figure N.7.11: 79.8% of all non-low-income North Carolina households are homeowners.



Race
Historically, white households have been better able to purchase homes than nonwhite households. The current and past homeownership rates attest to this (Figure N.7.10). The homeownership rates have been increasing in every race, but have been decreased for Hispanic households.

The decrease in homeownership rates among Hispanic households disguises the tremendous increase in households that became homeowners between 1990 and 2000. There were 3.5 times as many Hispanic homeowners in 2000 (when there were more than 28,000) as in 1990 (when there were almost 8,000).

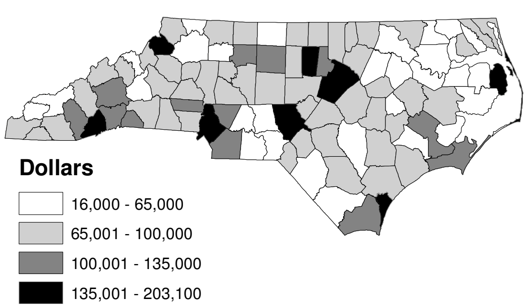
One reason for the lower homeownership rates among minorities is that many minority groups continue to have lower incomes than Whites in North Carolina. The median income for Hispanic households is only 83% of the median income for the all households. For Black non-Hispanics, the median income is 71% of the state's, for non-Hispanic Native Americans it is 78% of the state's, and for non-Hispanic households that classified themselves as being of multiple racial categories it is 82% of the state's median income.

Location
Information from the NC Realtor's Association shows that the average sales price, in all the MLS areas combined,

increased by 21% in inflation-adjusted dollars. The average housing prices increased in every multiple listing service area around the state between 1998 and 2003, with the exception of the Fayetteville, Catawba Valley, and Rocky Mount MLS areas, (which saw decreases of 11%, 4%, and 12% respectively) when the prices were adjusted for inflation. The area with largest increase was the Outer Banks, in which the average sales price more than doubled (in nominal terms); it increased 99% when the prices were adjusted for inflation. The Asheville and Haywood MLS areas also saw large price increases; the prices increased by more than 19% between 1998 and 2003.

Census data shows that the eastern rural counties have markedly lower median sales prices, on average, than the averages of counties in other regions. Of the 14 counties with median sales prices of below $50,000, 11 are in the East. Richmond, Robeson, Hyde, Bertie, Greene, Edgecombe, Tyrrell, and Washington all have median sales prices below $40,000 (Washington and Tyrrell with median sales prices of only $18,800 and $16,000 respectively). (Figure N.7.12)

Figure N.7.12: Certain metropolitan counties and resort and retirement counties have high sales prices.



Source: 2000 Census data.

This data is fairly consistent with 2000 Census data about sales prices asked for vacant-for-sale units. The counties in which it would be most difficult to afford a home are Orange (with a median price of $203,100), Transylvania ($156,600), Wake ($153,600), Dare ($146,900), Watauga ($146,500), Mecklenburg ($141,500), New Hanover ($140,800), and Moore ($135,800).

Data from the National Association of Home Builders (Figure N.7.03, above) indicates that in the major metro areas in 2002 the price of the median home built was less than 2.5 times the median income; this indicates that the median home built was, in fact, affordable to the median household in those regions. It is worth noting that these are new homes sold, not all homes sold; data from the North Carolina Association of Realtors (which includes both new construction and previously owned homes) indicates that the median sales price for all homes is substantially higher than for new construction.

The North Carolina Association of Realtors' data indicates that home prices are increasing far more quickly than inflation, in nearly every area of the state. Between 1998 and 2003 home prices increased statewide by 21% in real dollars. This increasing unaffordability was affirmed by participants in the Regional Housing Needs meetings in every area of the state; this was particularly a problem in the mountain counties.

Stock

Participants in the Regional Housing Needs meetings, particularly in the Henderson meeting, said that there is a need for a rehabilitation program that could be used by home buyers. This is because a large section of the stock that is available for sale is in need of moderate or substantial rehabilitation.

In several regions of the state, there are few developers willing to build homes affordable to low- and moderate-income home buyers; this has resulted in a lack of affordable stock for low-income buyers.

Future Housing Needs

Because interest rates have been particularly low in recent years, more households have been able to become home buyers. It can be expected that the interest rates will increase in the future; this will cause many of those home buyers who purchased with variable interest rates to be less able to afford their monthly mortgage payments. This may contribute to a rise in foreclosures among recent home buyers. The economy, which doesn't show signs of immediate improvement, will be a strong contributor to foreclosures.

The future increases in interest rates will also make it more difficult for low- and moderate- households that are already credit challenged to become homeowners. Sub-prime interest rates, which are typically charged to households with low credit scores, will rise as the prime rate rises. Increasing interest rates will exacerbate the problems that advocates and public agencies face.

OWNER-OCCUPIED HOUSING

Topics:
- Stock
- Market
- Current Housing Needs
- Additional Housing Needs
- Future Housing Needs

Highlights:
- Over 2 million owner occupied units in North Carolina
- 79% of owner occupied units are single family detached
- 17% are mobile homes
- 30% of stock was built during the 1990s
- 57% of homeowners carry a mortgage ($985 average payment)
- NC experienced 189.3% more filings of cases with foreclosure in 2003 than in 1998

Housing Stock

As of the 2000 Census, North Carolina had 2,172,355 owner-occupied housing units. Owner-occupied housing makes up 69.4% of North Carolina's 3.1 million occupied housing units (up from 68.8% in 1990). From 1990 to 2000, North Carolina's owner-occupied housing stock increased by over 460,000 units or 27%. This was the fifth highest increase in the nation in number (behind Texas, Florida, California, and Georgia) and the eleventh highest in percent increase. Of the South Atlantic states[48], North Carolina ranked third in both percent and amount increase behind Florida and Georgia.

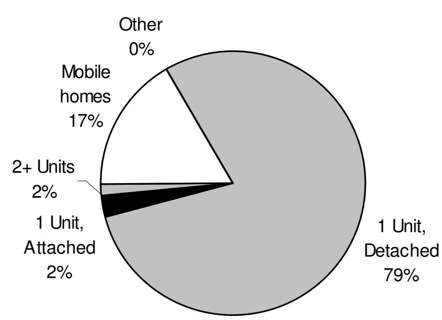
[48] The South Atlantic Division is defined by the Census Bureau, and includes Maryland, Delaware, West Virginia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

Within North Carolina, Wake and Mecklenburg Counties had the largest increase in the number of owner-occupied housing (58,448 and 50,829 housing units respectively). Wake County also saw the highest percent increase (58%). Union, Johnston, Hoke, and Brunswick Counties also saw increases of more than 50%. No counties had a decrease in owner-occupied housing stock.

Type of Unit

Seventy-nine percent of North Carolina's owner-occupied housing units are in one-unit, detached structures (single-family homes) (Figure N.8.01). North Carolina ranks thirty-sixth in the nation in the percent of owner-occupied units that are one-unit, detached structures, and fourth in the region (behind Georgia, West Virginia, and Virginia).

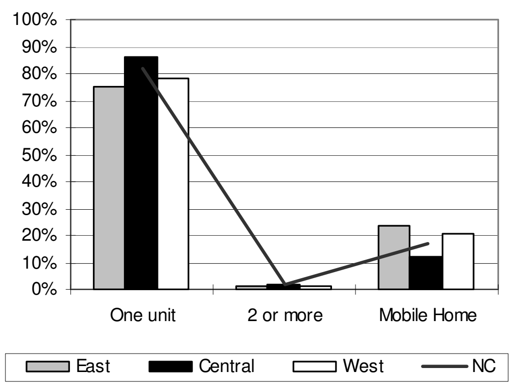
Figure N.8.01: A high percentage of North Carolina's owner-occupied housing is mobile homes, and a relatively low percentage are single family homes.



Seventeen percent of the state's owner-occupied stock is mobile homes. North Carolina has the fourth highest number of owner-occupied mobile homes (364,414) in the nation (behind Florida, Texas, and California). The state has the sixth highest percentage in the nation and the third highest percentage in the region (behind South Carolina and West Virginia).

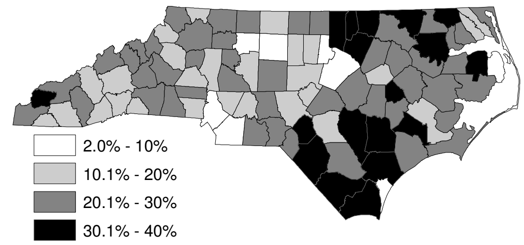
Within the state, the distribution of the different types of owner-occupied housing varies (Figure N.8.02). One-unit, detached structures make up a more (and mobile homes less) of the owner-occupied housing stock in the Central region, and mobile homes less, than in the East and West regions.

Figure N.8.02: Mobile homes make up a larger part of the owner-occupied housing stock in the East and West Regions.



The percent of a county's owner-occupied stock that is mobile homes varies widely, from 2% in Mecklenburg and Durham Counties to 39% in Robeson County. Although the state's metropolitan counties contain more owner-occupied mobile homes than the micropolitan and rural areas combined, mobile homes only make up 13% of metropolitan counties' owner-occupied housing stock. In the micropolitan and rural counties, mobile homes make up 22% and 27% of the owner-occupied housing stock.

Figure N.8.03: Mobile homes make up a larger part of the owner-occupied housing stock in central and eastern, rural North Carolina.



Age

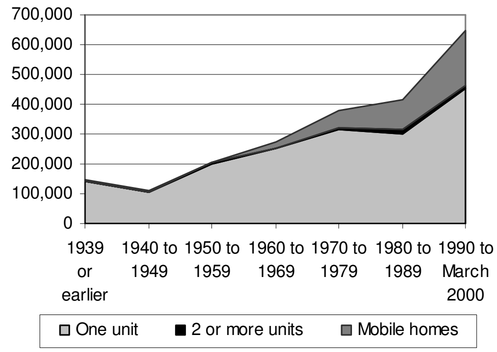
The age of housing stock is used as an indicator of the condition of housing, as well as the level of recent development in an area.

The median year of construction for North Carolina's owner-occupied housing stock is 1979. Sixty-six percent of the state's owner-occupied housing stock was built after 1970 (Figure N.8.04).

Thirty percent of North Carolina's housing stock was built in the 1990s. Nationally, only three states have a higher percentage (Nevada, Arizona, and Georgia). North Carolina also ranks third nationally in the number of owner-occupied housing units built in the 1990s (after Texas, Florida, and California).

Twenty-one percent of North Carolina's owner-occupied housing stock (or 460,167 units) was built before 1960. North Carolina ranks sixteenth in the nation and third in the region (behind Florida and Virginia) in the *number* of owner-occupied housing units built before 1960. However, the state is ranked forty-first in the nation and fifth in the region in the percent of owner-occupied housing stock built before 1960.

Figure N.8.04: Much of North Carolina's owner-occupied housing stock has been built since 1990.



The age of the different types of owner-occupied housing units is not uniform. While most (70%) of the owner-occupied units built in the 1990s were single-family homes, fifty-one percent of owner-occupied mobile homes were built in the 1990s.

While North Carolina has a relatively new owner-occupied housing stock compared to the rest of the nation, the age of owner-occupied housing by county varies widely. The median year built ranges from 1970 in Stanley County to 1988 in Hoke County.

Condition

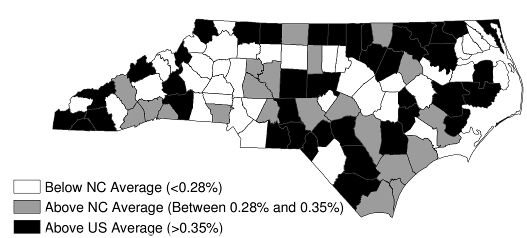
Housing condition is difficult to analyze using Census data. The United States Census provides few indicators of housing condition; only the conditions of kitchen facilities and plumbing facilities are reported, and those questions are among those with the least reliable responses.[49] The American Housing Survey gives more detailed information on housing condition, but does not make the data available at the state-level. This report will summarized the available Census data, and provide estimates of the American Housing Survey data for North Carolina.

Kitchen Facilities

As of the 2000 Census, 6,110 North Carolina households lived in owner-occupied housing units lacking complete kitchen facilities. This represents .28% of the state's owner-occupied housing stock, and is below the national average of .35%. North Carolina has the twelfth highest number, but the sixteenth lowest percent, of owner-occupied units lacking complete kitchens in the nation. Regionally, North Carolina has the fourth lowest percent (behind Delaware, Maryland, and Florida) and the second highest number (behind Florida) of owner-occupied units lacking complete kitchens.

Although North Carolina as a whole has a smaller percentage of owner-occupied housing lacking complete kitchen facilities than does the nation, many of North Carolina's counties have a rate higher than that of the nation (Figure N.8.05). Percentages range from a high of 2.17% in Tyrrell County to a low of 0% in Alleghany, Camden, and Graham Counties. In all, forty-two counties have percentages of owner-occupied units lacking complete kitchen facilities at or above the national average.

Figure N.8.05: NC's rural counties tend to have higher percentages of their owner-occupied housing stock lacking complete kitchen facilities.



In general, counties in the East region and counties that are rural both have a higher percentage of their owner-occupied housing units lacking complete kitchens. Counties that are both rural and in the East region have the highest percentage (.96%) of all.

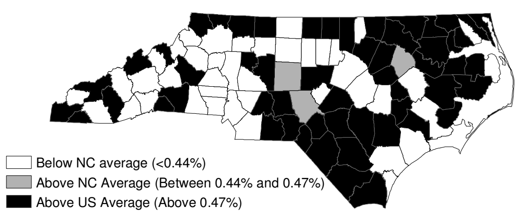
[49] The Census department regularly retests its surveys by asking the same respondents the same questions as it previously asked; on the plumbing and kitchen questions there were very high percentages of households changing their responses between the first and second questionnaires.

Plumbing Facilities

As of the 2000 Census, 9,484 North Carolina households lived in owner-occupied housing lacking complete plumbing facilities. This represents .44% of the state's owner-occupied housing stock, and is below the national percentage of .47%. North Carolina has the thirteenth highest number and the twenty-third highest percent of owner-occupied units lacking complete plumbing in the nation. Regionally, it has the third highest number (behind Florida and Virginia) and the fourth highest percent (behind West Virginia, Virginia, and South Carolina).

Fifty-six of North Carolina's counties have a percentage of owner-occupied units lacking complete plumbing facilities higher than the nation's average (Figure N.8.06). Most of those counties (30) are in the East region. Percentages range from a high of 2.26% in Tyrrell County to a low of .17% in Avery and Orange Counties.

Figure N.8.06: North Carolina's eastern counties have the highest percent of owner-occupied housing lacking complete plumbing.



American Housing Survey Estimates

Given the inadequacy and unreliability of the Census information on condition, it is important to search for other information on the condition of North Carolina's owner-occupied housing stock. The American Housing Survey gives more detailed information on housing condition than does the Census, but does not make the data readily available at the state-level.

However, this report estimates the number of North Carolina owner-occupied housing units with each type of moderate and severe problem. The estimate is based on the assumption that North Carolina's owner-occupied housing units have condition problems in exactly the same proportion as does the nation's owner-occupied housing stock. The American Housing Survey classifies condition problems as either moderate or severe.

In total, North Carolina is estimated to have 60,382 owner-occupied housing units with a moderate condition problem and 28,493 with a severe condition problem (Figure N.8.07). According to this estimate, about twice as many housing units had a severe plumbing problem than were identified as having incomplete plumbing by the 2000 Census (20,137 and 9,484 respectively).

Additionally, the estimates show that over 6,500 owner households have severe heating problems, and almost 30,000 have moderate heating problems. The Census does not provide any information on the condition of heating systems with which to compare, but does report that 52,105 owner households used wood for heating fuel and 5,174 used no fuel.

Table N.8.07: NC's owner-occupied stock has the most problems in plumbing, heating, and upkeep.

	Severe Problems		Moderate Problems	
	% of US Owners	NC Estimate	% of US Owners	NC Estimate
Plumbing	0.9%	20,137	0.1%	2,885
Heating	0.3%	6,642	1.4%	29,665
Electric	0.1%	1,683		
Upkeep	0.0%	872	0.9%	20,558
Hallways	0.0%	-	0.0%	180
Kitchen			0.5%	9,798
Total	1.3%	28,493	2.8%	60,382

Source: American Housing Survey, 2001.

Notes: (1) In the American Housing Survey, electric problems were only classified as severe, and kitchen problems were only classified as moderate.

(2) A more detailed breakout of specific housing condition problems can be found in Appendix C.

(3) The American Housing Survey classified the units' problems as "moderate" or "severe'; the criteria they used for this classification are not readily available.

Housing Market

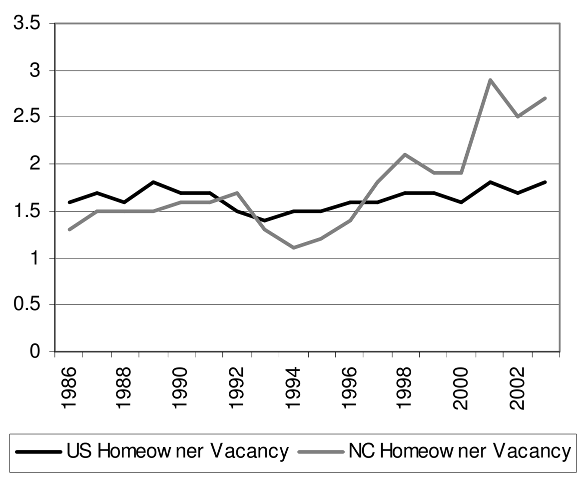
Household Growth

From 1990 to 2000, North Carolina gained 439,603 owner households—a gain of 25%. During the same period, North Carolina had the fifth highest increase in owner-occupied stock in the nation. North Carolina's owner stock growth outpaced owner household growth by 2 percentage points. The highest rate of growth was seen in owner households earning between 50% and 80% of median family income (28%).

Vacancies

According to the 2000 Census, there were more than 52,000 units in North Carolina that were vacant for sale; this is 13.3% of the total vacant units and 1.5% of the total units. The vacancy rate among housing for owner-occupancy exceeds the national rate (Figure N.8.08).

Figure N.8.08: NC vacancy rates in housing for owner-occupancy are increasing more rapidly than rates for the US.



Source: Housing Vacancy Survey

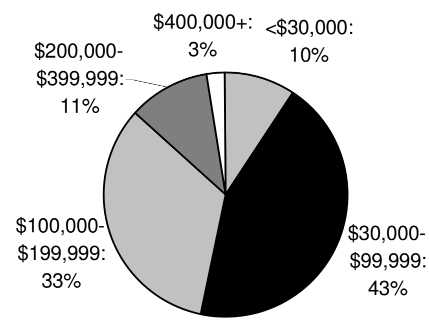
Of the vacant units, 147,000 (37.5%) were seasonal homes, recreational homes, or homes for occasional use, so are not part of the available market.[50]

[50] This 37.5% does not include homes that were vacant for migrant housing.

Costs

Of the South Atlantic states[51]In North Carolina, fully 53% of the housing is valued (by their owners, per the 2000 Census) at less than $100,000 (Figure N.8.09).

Figure N.8.09: Most owner-occupied units are valued at less than $200,000.



As has been discussed earlier in this document, the available information about housing conditions is limited. As a proxy for houses that will be in need of future rehabilitation investment, one may wish to know the number and location of owner-occupied units with low values. In North Carolina more than 206,000 owner-occupied units were valued below $30,000. Roughly one-fourth of these units were located in Central Metro areas (Figure N.8.10).

Figure N.8.10: One-fourth of all owner-occupied units in NC valued below $30,000 and valued below $50,000 are located in the Central Metro counties.

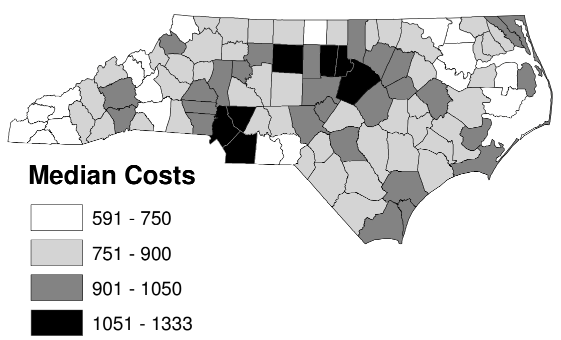
	Central	East	West
Homes valued at less than $30,000			
Metro	52,286	29,644	22,220
Micro	24,767	32,660	11,063
Rural	4,548	17,783	11,532
Homes valued at less than $50,000			
Metro	99,771	54,343	40,969
Micro	48,234	61,326	20,875
Rural	9,125	33,991	21,443

[51] The South Atlantic Division is defined by the Census Bureau, and includes Maryland, Delaware, West Virginia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

In the South, approximately 57% of all homeowners have a mortgage on their property.[52] For current North Carolina owners with a mortgage, the median housing cost in 1999 was $985.[53] For those without a mortgage the figure was $254. These are slightly lower values than for the eight-state region ($1,047 for mortgagors and $273 for owners without mortgages). Housing costs of $985 are affordable only to households earning $39,400 or more. Housing costs of $254 require incomes of $10,100 in order to be affordable.

In North Carolina, 14 counties had median housing costs for owners with mortgages that exceeded the state median of $985 in 2000. Metro counties are the highest-cost counties (Figure N.8.11).

Figure N.8.11: Median monthly costs of for homeowners with mortgages are higher in metro regions.

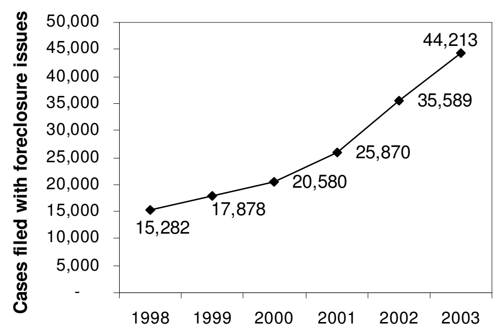


In the South, the 2001 median monthly cost for real estate taxes was $59 and the median monthly amount spent on routine maintenance was $22. For those homeowners who live in condominiums and cooperatives, the median monthly fee was $164.[54]

Trends and Projections

Anecdotal evidence strongly indicates increasing numbers of households have been losing their homes in recent years; data back-up this conclusion (Figure N.8.12). North Carolina experienced 189.3% more filings of cases with foreclosure issues in 2003 than in 1998.

Figure N.8.12: Cases filed with foreclosures have been increasing in North Carolina.[55]



Both the default and foreclosure rates of NCHFA-financed homes have increased over the past three years. The foreclosure rate of these homes in 2003 was 165% of the rate in 2001.

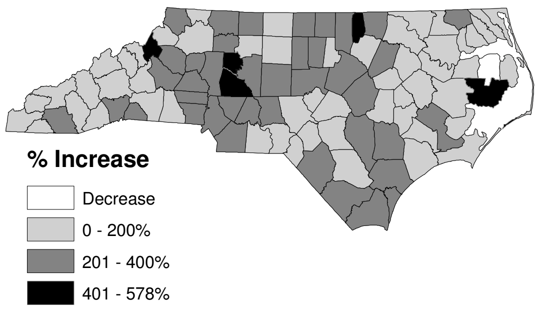
Every county except Tyrrell saw an increase in cases with foreclosure issues filed annually between 1998 and 2003 (Figure N.8.13). Eastern counties experienced the lowest percent increase in these cases (averaging only 158% more in 2003 than in 1998). Central counties averaged 253% more cases and Western counties averaged 199% more cases in 2003 than 1998. Metro counties had the largest average increase (214%) between 1998 and 2003, while micro counties averaged 183% more cases and rural counties averaged 201% more cases. In only three

[52] 2001 American Housing Survey data.
[53] These costs include payments for mortgages, deeds of trust, contracts to purchase, or similar debts on the property (including payments for the first and subordinate mortgages, and home equity loans); real estate taxes; fire, hazard, and flood insurance on the property; utilities and fuel, and, where appropriate, condominium fees. For mobile homes it also includes mobile home costs (including personal property taxes, site rent, registration fees, and license fees).

[54] 2001 American Housing Survey data.
[55] This data was provided by NC Justice. The cases are civil VCAP SP cases with at least one fore-foreclosure issue in the case.

counties (Tyrrell, Camden, and Dare) were the 2003 cases fewer than 130% of the number of 1998 cases. In all other areas the number of foreclosure cases filed far outstripped the growth in the number of homeowners.

Figure N.8.13: In 47 counties, foreclosure case filings per year have more than tripled.
(Foreclosure cases filed in 2003 as a percent of the cases in 1998)



At the Regional Housing Needs meetings, participants confirmed that foreclosures are an increasing occurrence in all areas of the state. They also confirmed that many households have been taking advantage of the lower interest rates available to refinance their homes for lower monthly payments.

Current Housing Needs

According to the 2000 Census, over 497,000 owner households (or 22.9% of all North Carolina's owner households) had a housing problem. A housing problem is defined as having one or more of the following problems: being cost burdened (or paying more than 30% of income for housing costs), being overcrowded (more than one person per room), or being without complete kitchen or plumbing facilities. For 21.2% of the owner households with housing problems (or over 460,000 households), one of the problems is cost. (Note: For the entire cross-tabulation table, see Appendix B.)

For current North Carolina owners with a mortgage, the median housing cost in 1999 was $985. For those without a mortgage the figure was $254. More than 25% of the mortgagors are cost burdened, and almost 9% (96,700 households) are paying at least half of their income for housing. Of the owners without mortgages, more than 10% are cost burdened and almost 4% (19,200 households) are paying at least half of their income for housing.

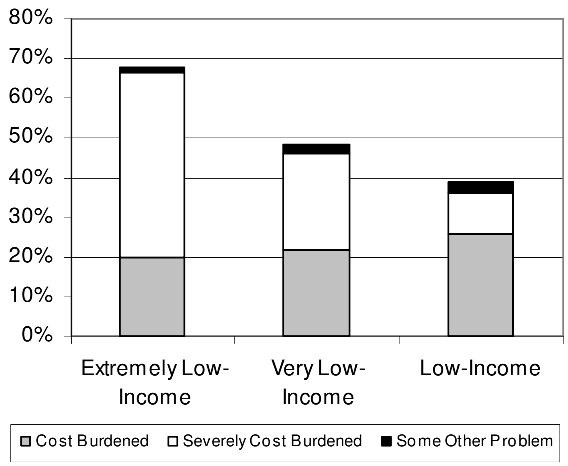
Income

Low-income owners make up a disproportionate amount of owners with a housing problem. Of the 497,000 owner households with a housing problem, 332,000 (or 67%) of them are earn less than 80% of the median family income. In contrast, low-income owners comprise only 32% of all owners. Over 48% of low-income owners have a housing problem—for 96% of those low-income owners with problems one of those problems is cost burdening.

Extremely low-income (ELI) owners have the highest frequency of housing problems. Sixty-eight percent of all ELI owner households have a housing problem (Figure N.8.14). Nearly half (47%) of all ELI owner households are severely cost burdened—paying more than half of their incomes for housing costs.

Very low-income (VLI) owner households have fewer and less-severe problems than ELI owners. Forty-eight percent of all VLI owners have a housing problem, and nearly half (46%) of all VLI owners are cost burdened. But 22% are only moderately cost burdened (paying between 30% and 50% of their incomes for housing).

Figure N.8.14: Two-thirds of all extremely low-income owners are cost burdened.

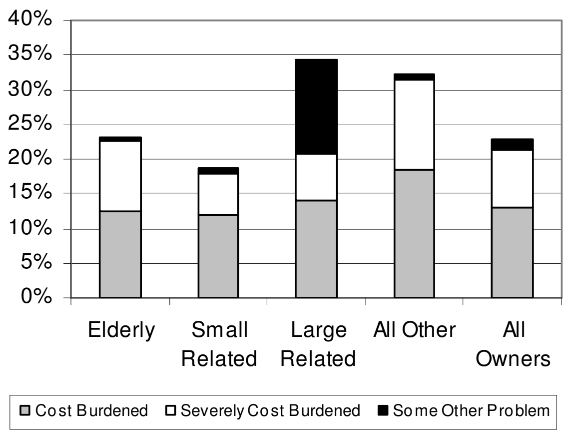


The increasing numbers of homeowners who are facing foreclosure (Figure N.8.12) is evidence that homeowners in the state are less able to afford their homes than they were in years past. This was mentioned as a problem in several of the Regional Housing Needs meetings held across the state, particularly in the meeting in Kannapolis.

Household Type

Of owner households, the household type with the highest percent with housing problems is large related households. It is noteworthy that only 21% are cost burdened while 13% have "other" problems (crowding, inadequate kitchens, and/or inadequate plumbing). This is a much larger percent with "other" problems than in all other household types. This large representation exists across all income categories; even in the category of large related owner households that are not low income, 12% have non-cost-related problems.

Figure N.8.15: Large related owner households are more likely to have housing problems other than cost.



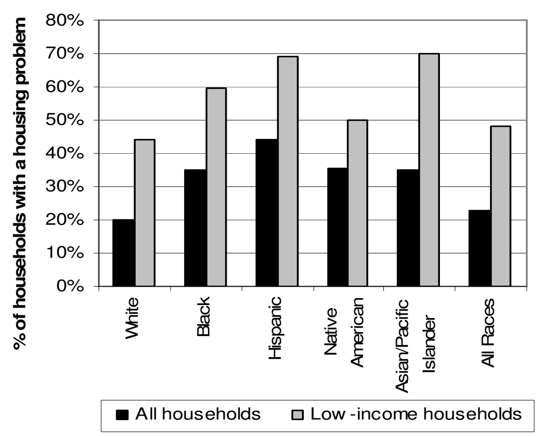
Large related households at 30-50% and 50-80% of MFI have higher percents with non-cost-related problems than large related households earning 0-30% MFI. If most of these instances of non-cost-related problems are overcrowding, it could indicate that that there is an income threshold below which large households will refrain from adding excess household members. Alternatively, it could indicate underreporting of crowding by the lowest-income large households. Unfortunately, insufficient data is available to test these theories.

The household type with the highest frequency of cost burdening is "other" households; this category includes non-elderly single-person households and households with unrelated individuals that are not elderly. Data doesn't exist to show what percent of the households have one person and what percent have multiple unrelated people, but it is reasonable that households with only one person would be more likely to be cost burdened; one-person households only have one income. Additionally, one-person households may be better able to purchase homes than households that are comprised of single individuals with children, because their expenses are fewer (while single-individuals with children will remain renters).

Race

Owner households of various races and ethnicities have housing problems in varying frequencies. Hispanics have housing problems in higher frequencies than non-Hispanic households[56] (Figure N.8.16). Among low-income households, both Hispanic and Asian households have very high frequencies of housing problems.

Figure N.8.16: Low-income Asian/Pacific Islander and Hispanic owner households have the highest frequency of housing problems.



Of all owners, 23% have a housing problem. Both Black owners and Hispanic owners have housing problems above the average: 34% of all Black owners and 39% of all Hispanic owners have a housing problem. These are the only two groups for which the percent of the population with housing problems exceeds the percent of the overall population with housing problems by more

[56] Figure 7.16 contains census race and ethnicity data. For this analysis Hispanics have been pulled out of each racial categories to comprise a category of their own. This leaves the other categories as: non-Hispanic Whites, non-Hispanic Blacks, non-Hispanic Native Americans, non-Hispanic Asians, and non-Hispanic Pacific Islanders.

than 10%. According to Census data, the three remaining minority categories, although the populations are small, all also have higher percentages with problems than the population as a whole.

In every race and ethnic group, those households which are low-income are more likely to have housing problems that the population as a whole. All racial and ethnic groups except Native Americans are more than 10% more likely. Low-income Hispanic households and low-income Asian/Pacific Islander households are more than 10% more likely to have housing problems than low-income household of all races (Figure N.8.16). Low-income homeowners have more difficulty affording mortgages and necessary maintenance on homes.

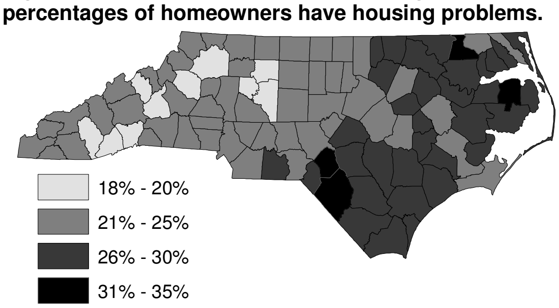
Black households comprise a large share of the households with problems, compared to their share of the households in each income category; this is even true of the black households earning more than 80% MFI (Figure N.8.17). This may be true of Hispanic households of all income categories and Asian households of Asian households earning more than 80% of MFI as well; the data indicate that in certain income categories Hispanic and Asian households make up a larger percent of the households with problems than of the overall households.

Figure N.8.17: In all income categories, black households comprise a disproportionate share of the owner households with housing problems.
(Percent of total owners comprised of each race / Percent of owners with problems comprised of each race.)

Income	White	Black	Hispanic	Native American	Asian	Pacific Islander
0-30	70 / 67	27 / 29	2 / 2	2 / 2	0 / 0	0 / 0
30-50	75 / 68	21 / 27	2 / 3	1 / 1	1 / 1	0 / 0
50-80	77 / 71	19 / 23	2 / 3	1 / 1	1 / 1	0 / 0
80+	85 / 77	12 / 18	1 / 3	1 / 1	1 / 2	0 / 0

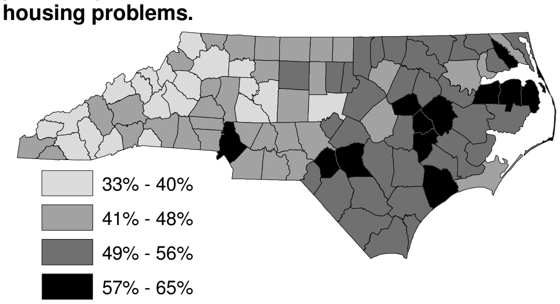
Location
All of the counties in North Carolina have homeowners with housing problems; no county has less than 17.5% of the homeowners with housing problems. The eastern counties have higher percentages of the owner population with census-defined housing problems than the western counties; these problems are overcrowding, cost burdening, and inadequate kitchen or plumbing facilities.(Figure N.8.18). If county-specific data were available with more detailed condition problems, a slightly different distribution of needs might become evident.

Figure N.8.18: In the eastern counties higher percentages of homeowners have housing problems.



By-and-large, the counties in which all owners have high rates of problems, low-income owners have high rates of problems.

Figure N.8.19: In the eastern counties, higher percentages of the low-income homeowners have housing problems.



Stock
Statewide, there are approximately 60,400 owner-occupied households with moderate condition problems, and 28,500 with severe condition problems. These estimates are based on the assumption that North Carolina has condition problems in the same proportions as the nation's housing does.

According to this estimate, roughly twice as many housing units had a severe plumbing problem than were identified as having incomplete plumbing by the 2000 Census (20,137 and 9,484 respectively).

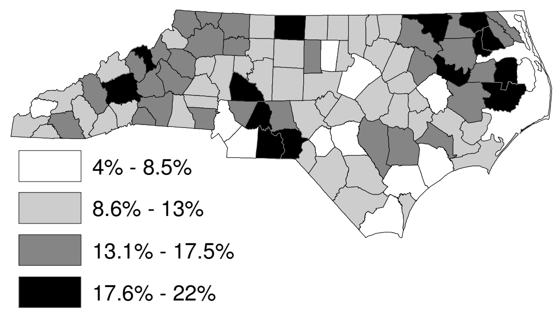
These estimates regarding moderate and severe heating problems are particularly concerning: approximately 36,300 owners have condition problems resulting in difficulty heating their homes, and an estimated 6,600 do not have heat.

Appendix C contains estimates of housing condition problems of more detailed types; however, this data is not divided into owner and renter households.

In the Regional Housing Needs meetings held across the state, participants in nearly every meeting mentioned that the condition of the housing stock was a problem. In the West, participants reported that it was nearly impossible to find contractors willing to do rehabilitation work, because they are more profitably occupied in new high-end construction.

Although lead-based paint was used in homes until 1978, higher concentrations are found in homes built prior to 1950. For this reason, pre-1950 housing is often used as an indicator of housing containing lead-based paint. Approximately 12% of the owner-occupied stock (253,200 units) were built before 1950. Approximately 61% of these pre-50 units are in metro counties. However, with the exception of Buncombe, in the counties that center metropolitan regions pre-1950 units comprise a small percent of the owner-occupied housing (Figure N.8.20).

Figure N.8.20: Most major metropolitan hubs have low percentages of pre-1950 owner-occupied housing.



Additional Housing Needs

Certain homeowners, due to age or special circumstances, have distinct housing needs.

Elderly
As time has passed, a larger proportion of North Carolina's population has become comprised of elderly households. There were 558,500 one- and two-person elderly homeowners in 2000, and 52% of them (290,900) were low-income. Of the elderly one- and two-person owner households with problems, 84% were low-income; this is 106,000 elderly households. Ninety-eight percent of those households (104,100 households) pay more than 30% of their income for housing.

Both elderly homeowners and elderly renters express a strong preference for remaining in their homes as they age. Elderly homeowners are more likely to be living in older homes, where many are unable to afford the regular maintenance necessary for their homes to remain safe because of income limitations and/or the death a spouse.

In many cases, rehabilitation, maintenance, weatherization and installation of assistive devices (ramps, rails, grab bars) is a cost effective way to help seniors remain in the community and prevent premature institutionalization. Obstacles to addressing these needs are inadequate funding, the lack of specific statewide data on housing rehabilitation needs and an inadequate housing delivery system for rehabilitation.

Many seniors with mobility and self-care limitations can live independently with appropriate support services. While this is a cost effective alternative to institutionalization, the NC Division of Aging and Adult Services reports waiting lists for a full range of in-home and community based services.

Elevated Blood-Lead Levels
Though lead-based paint was used in homes until 1978, higher concentrations are found in homes built prior to 1950, thus pre-1950 housing is often used as an indicator of housing containing lead-based paint. Of the owner-occupied stock in North Carolina, 12% was built prior to 1950 (fully 253,000 units).

In 2000 there were 268,308 households that had children ages 6 or younger. This means minimally 268,308 lead-free housing units are needed.

According to the North Carolina Department of Environment and Natural Resources' Childhood Lead Poisoning Prevention Program, there are currently 63 owner-occupied units that require remediation by law. In addition, there are 124 owner-occupied housing units for which remediation is recommended (blood lead levels $\leq$ 10µg/Dl).

Mobility Limitations
In addition to the nearly 200,000 elderly one- and two-person households in which at least one member has a mobility or self-care limitation, there are nearly 70,000 other households with a member with such a limitation. Of those households, nearly 72% (50,200 households) have a census-defined housing problem. Low-income households in need of accessibility improvements are frequently unable to obtain them due to lack of funds.

Future Housing Needs

Identifying current and future housing needs is difficult because the most trusted source of data to which we have access, the Census, was gathered in 1999, during a time of relatively high economic prosperity for the state, and is now six years old. Subsequent evidence, including and particularly anecdotal evidence, indicates that the needs of homeowners have seen no decrease since that time.

The ability of homeowners to afford their homes likely will not improve. Many homeowners who purchased homes in this recent period of low interest rates, but who purchased on adjustable rates, will no longer be able to afford the monthly payments as the interest rates rise. Also, despite the relatively low interest rates, the number of foreclosure cases filed has increased dramatically over the past several years; no signs indicate a future lessening in these foreclosure cases filed.

Individuals are living longer than in previous generations, so the state will see an increase in the elderly population. As the number of elderly homeowners increases, the state will face a growing population of elderly homeowners with problems, particularly cost burdening (which is currently the most prominent problem among elderly homeowners). Elderly homeowners will continue to need the rehabilitation that they have needed in recent years. There will be an increased need for accessibility adaptations to the homes of elderly residents, as owners live longer.

MANUFACTURED HOUSING

Noteworthy differences exist between manufactured housing and site-built housing. Manufactured homes are produced in sections off-site. Historically, because most manufactured homes have not been affixed to property on a permanent concrete slab foundation, owner-occupied mobile homes have generally been financed as personal property rather than through less costly conventional real estate mortgages. In general, manufactured homes are less expensive than conventional homes of similar size and features. Households can either rent manufactured housing or own it. However, many manufactured home owners rent the land beneath the home. This gives residents a blended set of advantages and disadvantages of being both owners (of a home) and renters (of the land). Because of the unique nature of manufactured housing, it is discussed here as a separate section.

Note: In this report, both "manufactured housing" and "mobile homes" will be used synonymously because the 2000 Census reports only on "mobile homes." The "manufactured housing" and "mobile homes" discussed in this report differ from "modular homes" which are constructed according to the building codes of site-built housing.

Topics:

- Stock
- Market
- Current Housing Needs
- Future Housing Needs

Highlights:

- 16% of total housing stock
- 23% renter occupied, 63% owner occupied and 14% vacant
- 44% of all occupied mobile homes were built in the 1990s
- Average cost of a multi-section mobile home in 2001 was $64,843

Housing Stock

As of the 2000 Census, North Carolina had 577,323 mobile homes. This represents 16% of North Carolina's 3.5 million housing units.

Within North Carolina, Brunswick County had the most mobile homes (18,458) and Camden County had the least (499). In Robeson and Greene Counties, 37% of housing stock is mobile homes—higher than any other counties. Durham and Mecklenburg Counties had the lowest percentage (2%).

North Carolina's Western region has consistent percentages of mobile homes regardless of the level of urbanization of its counties, while the East and Central regions have a higher percent of mobile homes in their more rural counties (Figure N.9.01). Central, metropolitan counties have the lowest percentage of mobile homes (9%) and Eastern and Central, rural counties have the highest percent (30%).

Figure N.9.01: Rural counties in North Carolina's Eastern and Central regions have the highest percent of mobile homes.

	East	Central	West	NC
Metro	20%	9%	20%	13%
Micro	25%	20%	20%	22%
Rural	30%	30%	21%	26%
NC	23%	12%	21%	16%

From 1990 to 2000, North Carolina's mobile home stock increased by 155,859 units or 37%. This was the second highest increase in the nation in number (behind Texas) and the seventh highest percent increase. In the

South Atlantic region, North Carolina had the highest increase in the number of mobile homes and the second highest percent increase (behind South Carolina).

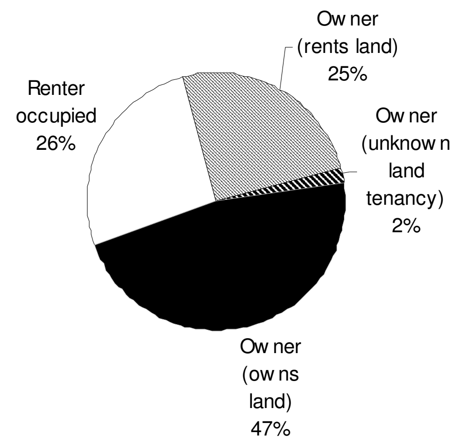
Within the state, Robeson County had the largest increase in the number of mobile homes (7,389) and New Hanover County had the largest decrease, losing 229 mobile homes. Greene County had the largest percent increase (126%) and Dare County had the largest percent decrease (8%). In all, five counties reported decreases in the number of mobile homes – all were in the East (Camden, Currituck, Dare, Hyde, and New Hanover).

Tenure

Of North Carolina's 577,323 mobile homes, 23% were reported to be renter-occupied, 63% were reported as owner-occupied, and 14% were vacant (Figure N.9.02). According to the 2001 American Housing Survey, in the South Region 63% of mobile home owners reported that they owned their lot, 34% reported that the rented their lot, and 3% had unknown land tenancy (Refused to Answer, Don't Know, and Not Reported). The South had a higher percent of land-owning mobile home owners than did the nation as a whole. Nationally, 56% of mobile home owners reported that they owned their lot, 42% reported that the rented their lot, and 2% had unknown land tenancy. Additionally, 6% of mobile home renters in the South and 4% of mobile home renters in the nation reported that they owned the lot on which their rented mobile home was sited.

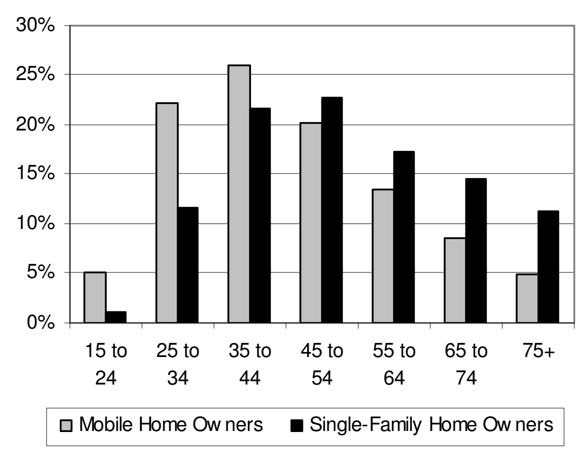
Assuming that North Carolina's mobile home land ownership pattern follows the South Region more closely than the nation, between 51% and 53% of mobile home residents (or 253,000 to 264,000 households) rent part of their housing. If the state's homeownership rate were calculated just for those households that own both their housing unit and their land, the rate could drop from 69.4% to as low as 65%.

Figure N.9.02: About half of mobile home residents rent some part of their housing.



While the head of household age distribution of mobile home renter households tends to mirror the distribution of all renter households, mobile home owners tend to be younger than homeowners as a whole – especially owners of single-family homes (Figure N.9.03). Twenty-seven percent of mobile home owners' head of households are under the age of 35, while 13% of all owners are. Thirty percent of all home owning households with a head of household under the age of 35 own a mobile home, compared to 17% of home owning households overall.

Figure N.9.03: Mobile home owners are younger than single-family home owners.

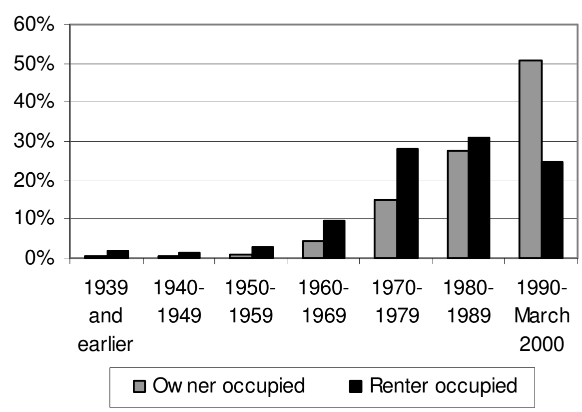


Age

Mobile homes are by far the newest type of housing overall in North Carolina. Forty-four percent of all occupied mobile home units were built in the 1990s and 72% were built in or after 1979. In comparison, only 41% of all other units were built after 1979. It is significant that 28% of all mobile homes in use today were built prior to 1979 because it was in 1978 that the HUD code (a minimum housing code for manufactured housing) was implemented. The construction standards for mobile homes manufactured prior to that time period are less rigorous.

While mobile homes as a whole are newer than other types of housing in North Carolina, owner-occupied mobile homes are much newer than renter-occupied mobile homes. Over half of owner-occupied mobile homes were built in the 1990s, compared to 25% of renter-occupied mobile homes. The estimated median year built of renter-occupied mobile homes is 1980 to 1981, while the estimated median year built for owner-occupied mobile homes is 1989 to 1990.

Figure N.9.04: Owner-occupied mobile homes are relatively new.



Condition

The Census has only very limited information available about housing condition, and that data is not available by housing type. The American Housing Survey gives more detailed information on housing condition than does the Census, but does not make the data available at the state-level. However, this report estimates the number of North Carolina mobile homes with each type of moderate and severe problem. The estimate is based on the assumption that North Carolina's mobile homes have condition problems in exactly the same proportion as does the nation's mobile home stock. The American Housing Survey classifies condition problems as either moderate or severe.

In total, North Carolina is estimated to have 19,120 mobile homes with a moderate condition problem and 8,047 with a severe condition problem (Figure N.9.05). The most prevalent severe problem is plumbing and the most prevalent moderate problem is upkeep.

Figure N.9.05: NC's mobile home stock has the most problems in plumbing, heating, and upkeep.

	Severe Problems		Moderate Problems	
	% of US Mobile Homes	NC Estimate	% of US Mobile Homes	NC Estimate
Plumbing	1.1%	5,502	0.4%	1,857
Heating	0.5%	2,338	1.6%	7,841
Electric	0.1%	481		
Upkeep	0.1%	413	1.9%	9,491
Hallways	0.0%	0	0.0%	0
Kitchen			0.2%	1,032
Total	1.6%	8,047	3.9%	19,120

Source: American Housing Survey, 2001.
Notes: In the American Housing Survey, electric problems were only classified as severe, and kitchen problems were only classified as moderate.

Mobile homes in North Carolina have a lower percentage of both severe and moderate housing problems than do all rental units combined (3.5% have severe problems and 7.4% have moderate problems); but have a higher percentage of severe and moderate problems than do all owner-occupied units (1.3% and 2.8%).

Housing Market

Vacancies

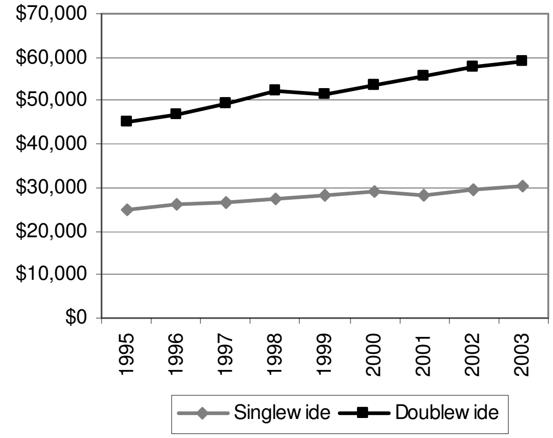
There were approximately 83,000 vacant mobile homes in North Carolina at the time of the 2000 Census; this is approximately 14% of the total mobile homes in the state. These vacant mobile homes comprise 11% of the vacant units of any type in the state. The fact that mobile homes comprise approximately 17.6% of the housing in the state (per the 2003 American Community Survey) but only approximately 11% of the vacant housing units indicates that there is more demand for mobile homes (per mobile home) than for the other housing types combined (per unit of other housing).

Mobile homes increased by 37% between 1990 and 2000, and the vacancy rate increased only 32%. This indicates that there was more demand for mobile homes in 2000 than in 1990.

Costs

In North Carolina, according to a 2001 survey of manufactured home retailers conducted by the NC Manufactured Housing Institute (NCMHI), the average cost of a multi-section home in 2001 was $64,843. According to a HUD-sponsored survey conducted by the Census bureau, the average sales prices in 2003 were $30,300 for a single-wide and $56,700 for a doublewide (which is substantially lower than the average cost for a multi-section unit in 2001 according to the NCMHI survey.) (Figure N.9.06)

Figure N.9.06: In North Carolina, doublewide prices are increasing more quickly than singlewide prices.



Source: Census Bureau. Not adjusted for inflation.

According to sources referred by NCMHI, the approximate cost of sitting a double-wide unit on land owned by the owner is $3,500, and transportation costs in North Carolina are approximately $600 for each home[57]. Information is not readily available about how those costs vary according to the size of the unit or the distance that the unit must be transported..

According to the Census, prices in North Carolina are lower than in the nation. The average singlewide price is 95% of the nation's average singlewide price, and the average doublewide price is 99% of the nation's price. However, the average doublewide price in North Carolina is more expensive than in its area of the nation; it is 103% of the price in the eight-state region.

There are noteworthy difference in the values of owner-occupied mobile homes in various parts of the state. The values of the owner-occupied mobile homes in the East are lower than in the West, and both Eastern and Western regions have lower values than

[57] These figures were estimates provided by industry members whose businesses are involved in the transportation and siting of manufactured housing.

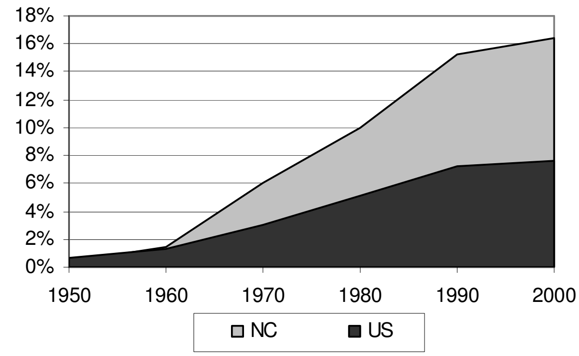
the Central region. The Eastern rural counties have the lowest median mobile home values, on average. Counties with the highest median mobile home values (of owner-occupied mobile homes) are those in the central rural and micro areas. This is different from the owner-occupied stick-built trend of metro areas having the highest value.

The median park fee paid by households living in mobile home parks in the South for 2001 was $70. Of those who rented their land, the median land rental fee was $34.[58]

Generally speaking, purchasing a previously-owned mobile home is less expensive than purchasing a new mobile homes. Nationally, of the owner-occupied mobile homes built 1990 or later, 72% are not previously occupied, and 28% are previously occupied.. These percentages indicate an estimated 134,000 owner-occupied mobile homes built after 1990 being occupied by the first owners, and 51,500 of the post-1990 units having been resold.

Trends and Projections
Historically, mobile homes have comprised a large part of North Carolina's housing stock.. Current estimates indicate that in 2003 mobile homes comprised 17.6% of the total housing stock[59]; all signs indicate that the state will, in the future, continue to be at least as dependant on this housing type as it currently is (Figure N.9.07).

Figure N.9.07: North Carolina continues to be more dependant on mobile homes for its housing stock than the rest of the nation. (Mobile homes as an approximate percent of the housing stock.)



Mobile homes house a large number of North Carolina households; this appears to be particularly true of North Carolina's Hispanic population. Approximately 25% of Hispanic households lived in mobile homes at the time of the 2000 census; only 16% of non-Hispanic households occupied mobile homes at that time. As the Hispanic population in the state has increased it is likely that the number of Hispanic residents living in mobile homes has also increased.

[58] 2001 American Housing Survey data.
[59] American Community Survey 2003

Current Housing Needs

As mentioned earlier, mobile home residents are in a unique situation regarding the security of their occupancy. Approximately half of all mobile home residents in North Carolina rent some part of their housing (either the unit or the land beneath the unit), and roughly one third of the mobile home owners rent the land beneath the home. Those owners who rent the land beneath the home have less security in their ownership than do owners of site-built homes; the owner may be evicted from the land for violation of a lease or because the owner chooses to use the land for an alternative use. In such a situation, unless the home is in adequate condition to be moved and the owner is able to quickly acquire a new site on which to place it, the owner loses his or her home, resulting in a forfeiture of one of the household's major assets, as well as in potential homelessness.

Income

Of all mobile home renters, 35% are cost burdened (paying more than 30% of the household income for rent). This figure is for those households who indicated that they rented their mobile home on the census; it does not include those who rent only the land beneath the unit or the land rent fee for those households.

For mobile home owners, the average monthly housing cost total is $589.[60] This is affordable to households earning $23,574. For mobile home residents (owners and renters), nationally the median family income is $26,639.[61] This indicates that many mobile home owners, are cost burdened.

[60] Census data. Aggregate of "selected monthly housing costs" for mobile home owners divided by the number of mobile home owners.
[61] American Housing Survey data.

Household Type

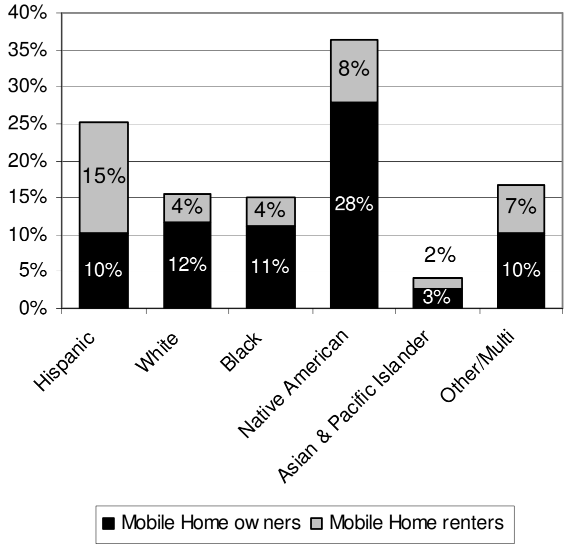
Mobile home owners are younger than single-family home owners. Qualitative reports indicate that in many areas of the state young households do not have the financial understanding necessary to make wise investment decisions.[62] This was particularly an issue in the Lumberton and Henderson meetings. Also, particularly in the Vance and Granville area, households have difficulty finding financing for mobile homes because of the way Fannie Mae defines the value of a mobile home.[63]

Race

More than 36% of non-Hispanic Native American households in North Carolina live in mobile homes, and more than 25% of all Hispanic households do. They are the two race categories with the highest dependency on mobile homes for their housing stock. Because of this, any condition problems which are more prevalent in mobile homes than site-built housing will affect those two race categories disproportionately (Figure N.9.08).

[62] This was reported at several of the regional housing needs meetings hosted by the NCHFA and the Division of Community Assistance.
[63] The participants at the Henderson Regional Housing Needs meeting reported that Fannie Mae values the home at approximately $.50 on the dollar.

Figure N.9.08: **Native Americans and Hispanics live in mobile homes more than other races.** (Households occupying mobile homes, as a percent of the population.)



All race/ethnicity categories in North Carolina have more mobile home owners than renters, except Hispanics. Fully 13,400 Hispanic households rent their mobile homes.

Hispanic mobile home residents tend to have more people per unit than households of other race/ethnic categories. The average number of people per unit for all mobile home owners is 2.7, and for all mobile home renters is 2.6. Hispanic households have, on average, 4.5 people per owner-occupied mobile home, and 4.0 people per rented mobile home.

Location

Counties in the East are more heavily dependant on manufactured housing for both their owner-occupied stock and renter-occupied stock than the rest of the state. (Figures N.9.09 and N.9.10)

Figure N.9.09: Eastern counties are slightly more dependent on mobile homes for their owner-occupied housing stock than the rest of the state. (Mobile homes as percent of owner-occupied stock.)

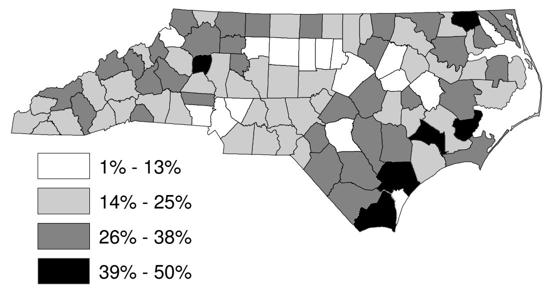
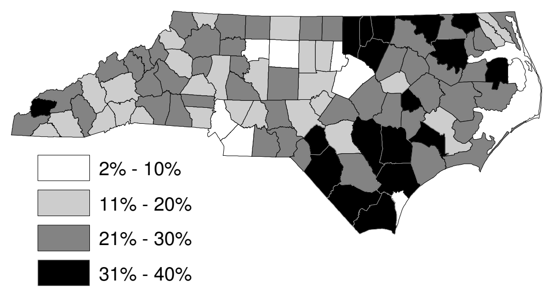


Figure N.9.10: Mobile Homes comprise a large portion of the East's rental stock. (Mobile homes as percent of renter-occupied stock.)



The costs for owning a mobile home are higher in the metro counties than the rural counties, but the counties with the highest average costs per unit are the central rural counties (with an average monthly cost of $636). The western rural counties are the least expensive, with average owner costs of $470 per month.

For renters, there are no substantial differences in the percent of the population that is cost burdened between metro, micro, and rural counties. In the Central counties 28% of the renters are cost burdened, in the East 33% are, and in the West 30% are.

Stock

Approximately 28% of all manufactured housing in use today was constructed prior to the development of the HUD code (a federal construction standard for manufactured housing); because of this, it is likely a large portion of the occupants of those units are experiencing condition problems.

North Carolina has an estimated 19,100 mobile homes with moderate condition problems and 8,000 with a severe condition problem. In the Regional Housing Needs meetings participants stated that most rental mobile homes are in very poor condition. Participants in the western counties cited

that many of the Section 8 recipients are utilizing mobile homes, because they are the only rental stock in the area that is below the Fair Market Rent limit. A large portion of those units are, in the opinions of the participants, uninhabitable; evidence of this is that the Section 8 recipients, despite their dire need for affordable housing, are returning the vouchers to the public housing authorities rather than live in the mobile home.

Future Housing Needs

A decrease in the use of mobile homes in North Carolina in the future is unlikely. In light of this, the advocates and public agencies need to be aware of the problems experienced by mobile home dwellers in have manufactured housing that is becoming dilapidated.

As manufactured housing construction technologies continue to improve, the mobile homes will be better able to last

their areas. Participants in the Regional Housing Needs meetings attested that unethical and unwise financing continue to be a large problem in nearly every area of the state. Additionally, many areas

beyond thirty years. In light of this, the rehabilitation that is necessary for standard site-built homes will need to be applied in increasing frequency to manufactured homes as well.

COMMUNITY DEVELOPMENT

Topics:
- Infrastructure
- Human Capital Development
- Microenterprise Business Development
- Comprehensive Neighborhood Revitalization
- Community Capacity Building

Introduction

During the economic boom of the 1990s, it was evident that prosperity was not reaching all citizens of the state. Growth, and its consequential improvements in infrastructure and purchasing power, was concentrated in the state's metropolitan areas. The recession of the early part of this decade further exacerbated the economic gulf between the urban and rural parts of North Carolina. The effect on the physical infrastructure and community fabric of rural areas is evident in the current strong demand for community development services and products.

Even in regions that appear to be thriving, disparities are evident, and other areas are experiencing distress. North Carolina needs to ensure that all regions and communities of the state have strong neighborhoods and employment opportunities. In order to reduce that poverty in North Carolina and ensure that low-to-moderate income residents receive a piece of the economic prosperity pie, the state has identified community development needs to be targeted within the next five years. These needs are based upon various statistical data, reports, a series of public workshops, one-on-one consultations, literature reviews and staff analysis. These needs are 1) new infrastructure and infrastructure improvements, 2) human capital development, 3) micro-enterprise development, 4) comprehensive neighborhood revitalization, and 5) community capacity building.

Infrastructure

One of the most important services that a governmental entity provides, whether it is at the local, state, or national level, is infrastructure for its citizens and businesses. Infrastructure such as public water and sewer, roads and mass transit, and other utilities are the backbone that allows the state's economic and social fabric to grow and thrive. However, if that infrastructure is not managed properly, it can either grow out of control or deteriorate to a level of inadequate performance.

Regardless of location, all of our communities face issues with growth and development. Some are straining to maintain adequate public services, environmental quality, and community character in the face of rapid growth, while others are struggling to provide economic opportunity, maintain a crumbling residential infrastructure, or are recovering from devastating natural disasters. Increasing reports on traffic congestion and environmental degradation in many metropolitan areas and the devastating impacts of natural disasters in the last few years has shown that North Carolina is not immune to the consequences of poorly managed growth. To that end, the principles of the *smart growth* movement continue to be emphasized and intertwined within the programs of the four partner agencies, in particular the CDBG program, whenever applicable.

In order to meet the statewide need for safe, clean drinking water, a minimum of $7.2 billion will need to be invested for capital improvements and expansions by 2030[64]. To provide safe and sanitary wastewater treatment to all our communities for which sewage systems (rather than on-site treatment such as septic) are practical, an additional $6.5 billion of investment is necessary for capital improvements and expansions by 2030[65]. Addressing funding needs for water and wastewater infrastructure in our state's most needy communities becomes vitally important during the tenure of this Consolidated Plan.

Residential

Access to clean water for all of North Carolina's citizens is critical. According to the North Carolina Department of Environment and Natural Resources, in 2003 10% of the state's residents served by public water systems experienced some sort of contamination of their drinking water supply[66]. The number of public water system contamination violations is a significant increase from previous years, and while that may be due to improved techniques for detecting contamination, "the number of small systems needing improvements in capacity is also large[67]."

Unfortunately, more than 50% of the state's water systems are more than 40 years old, and only 6% have made major line repairs since the original installation. 75% of those surveyed have no excess capacity to handle additional water needs, and more than 72% of those surveyed say their sewer systems have no excess capacity. North Carolina has more outhouses than any other state in the nation[68].

A growing concern of many small rural communities is the deterioration of existing water and sewer lines. Many of these lines were constructed almost a century ago and have received little attention since. Most of these communities are mill towns whose infrastructure was put in place by the mill at a time of industrial economic expansion. The shrinking economic base in these communities makes infrastructure improvements financially infeasible. The challenge of requiring local communities to maintain public water and sewer systems while meeting the public health need of providing safe drinking water is one that must be addressed during the life of this Consolidated Plan.

In March 2004 a statewide initiative, known as Water 2030, was created to ensure North Carolinians of clean water supply. All 100 counties are included in the Water 2030 initiative study, including research of storm water systems, flood hazards, and sewer

64 North Carolina Rural Economic Development Center, Water2030 Initiative
65 ibid
66 "North Carolina's Capacity Development Report for Public Water Systems", September 30, 2003, Public Water Supply Section, North Carolina Department of Environment and Natural Resources.
67 Ibid, p. 5
68 North Carolina Rural Economic Development Center, North Carolina Water & Sewer Initiative, 1998 Clean Water Report

infrastructure. The Rural Center of North Carolina has collaborated with partners within the government to fund the initiative study of Water 2030, including a $1 million grant from the N.C. Congressional Delegation, and $200,000 support from the N.C. General Assembly. Public education and outreach network has combined with the Rural Center to inform citizens of the water infrastructure, knowledge of the state water resources, and the initiative study of Water 2030.[69]

North Carolina State Senator John Kerr, speaking at a Rural Prosperity Task Force meeting, said, "when a community runs out of water and sewer capacity, it becomes stagnant." Clean water for drinking and proper waste disposal ensures environmental quality and is the foundation of present and future rural prosperity. No family in North Carolina should have to endure the health risks and nuisance of outhouses or straight pipes that carry raw sewage into neighborhood creeks, but many rural families still do. Without the means to provide safe drinking water and adequate disposal of wastewater, communities cannot protect the health of their citizens or provide a suitable environment for needed development. For many communities in the state's rural counties, the need for improvements to water and sewer systems is a matter of survival.

One theme mentioned numerous times in focus groups conducted by the Consolidated Plan partners was that of the need for scattered site development. This discussion usually focused on housing, the need to be able to rehabilitate or construct new housing on individual, non-contiguous lots rather than being required to concentrate such community development activities in generally dilapidated neighborhoods. However, that sentiment has also extended to water and wastewater infrastructure. More specifically, communities have requested help for their low-to-moderate income residents who are experiencing septic system or well failure. In many instances these problems can be overcome by providing public water and sewer lines. However, especially in the western counties, individual wastewater treatment options are necessary.

Economic Development

Physical infrastructure – highways, water and sewer facilities, natural gas, electricity, and other power sources – form the basic foundation upon which businesses and communities are built. They are crucial in attracting and retaining employers that provide workers with reasonable wages and, thus, allow communities to thrive. The state's distressed areas shouldn't continue to lose desperately needed jobs because they lack the water and sewer capacity to accommodate growth, but many rural areas still do. Without adequate sewage treatment plant capacity, existing businesses are constrained and new businesses must seek other sites, not only out of the region, but the state as well.

Economic development should be the product of an agreement between business/industry and the public sector. If government builds and maintains public infrastructure projects, the private sector will undoubtedly produce goods, services, and jobs to meet the needs of

[69] North Carolina Rural Economic Development Center, North Carolina Water 2030

the people using those facilities. The more responsibly government performs its task, the more attractive the location will be and the more likely businesses will start up, relocate, or expand.

Because infrastructure investments are so central to economic revitalization, many communities are rededicating themselves to restoring and enhancing these public amenities. The North Carolina Commerce Finance Center, administrators of the Small Cities CDBG funds for economic development, will address this need for the state's low-to-moderate income workers in primarily rural areas. Keeping our rural communities from falling further behind will, thus, require both careful planning and creative thinking on financing.

Human Capital Development

Many leaders in the state have realized the importance of human capital formation in the economic development and social well being of our communities. Human capital, which can be defined as the knowledge or skills of a workforce that leads to increased productivity, is a vital investment in the 21st century.

Evidence abounds demonstrating that dependence on low-skill, high-wage manufacturing jobs is not a prudent economic development strategy for North Carolina. Many of those jobs have left the state for parts of the world with lower wages and less stringent governmental regulation. The manufacturing industry, which at one time was the staple employment opportunity and the backbone of the state's economy, is now decreasing at a rapid rate. In 1999, approximately 775,000 North Carolinians worked in manufacturing industries. By the first quarter of 2004, that number had shrunk to less than 578,000[70], a 25% decrease in five years.

As many of our traditional manufacturing jobs disappear, we can no longer afford an uneducated workforce. As discussed in the Economy section, North Carolina continues to lag behind the country in terms of educational attainment, though the state is improving. More than 78% of North Carolinians have earned a high school diploma compared to just over 80% for the United States, and 22.5% of North Carolinians have a bachelor degree, compared to 24.4% for the country[71].

The key to building human capital in North Carolina is enabling people to become better educated, better trained, and more flexible. Further education and training for displaced workers seems an obvious avenue for policy. Public investment in human capital is often necessary because many displaced workers cannot afford an investment in education or training[72]. It is of utmost importance that the four partner agencies, especially the Division of Community Assistance (because of the flexibility of CDBG funds it administers), find ways to address these issues and incorporate possible solutions into their programs over the next five years.

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[70] North Carolina Employment Security Commission

[71] U.S. Census Bureau, Census 2000

[72] Salamon, Lester. "Why Human Capital? Why Now?" Human Capital & America's Future. Hornbeck, David & Salamon, Lester, eds. Johns Hopkins University Press: Baltimore, 1991.

Micro-enterprise Business Development

An Alternative Form of Economic Development

One avenue of success for dislocated workers is entrepreneurship. It has become apparent from our consultations and public workshops that there is more of a demand for micro-enterprise businesses in North Carolina than ever before, particularly in rural communities. In 2004, the Division of Community Assistance, in partnership with the North Carolina Rural Economic Development Center (Rural Center), launched an Entrepreneurial Assistance Demonstration Program to help local communities provide technical assistance to low-to-moderate income residents interested in starting their own business. The response was overwhelming, underscoring the need for alternative forms of economic development in the face of structural change in the state's economy.

One category of business start-up is microenterprise. Microenterprises are defined as very small entities capitalized with less than $5,000 and employing less than five people. They tend to offer services oriented toward retail trade, services, or construction, and may be part of a cooperative, or located in a home or a commercial strip. The State believes that micro-enterprises are important in communities, especially where there are few formal job opportunities and where there are people who have little formal education and training. Most micro-businesses lack access to traditional credit institutions and the knowledge to start their own businesses. By providing capital, technical assistance, and peer support, the state can empower low-income people to become self-sufficient and a working member of today's society[73].

In support of this model, the North Carolina Division of Community Assistance, in partnership with the North Carolina Rural Economic Development Center, ran a demonstration project in 2004-2005 to determine the feasibility of state public funding for technical assistance and peer support operated at the local level. The response was tremendously positive, with the number of jobs created per public funding dollar well below CDBG threshold requirements in many cases. Qualitative feedback indicates a strong desire to continue these programs and find ways to create new ones in areas not already served.

The structural change from a manufacturing to a service-oriented economy has been devastating for many North Carolina communities. Though the 6,500 manufacturing jobs lost with the closing of Pillowtex in 2003 in the Kannapolis area is widely viewed as the most dramatic example, layoffs resulting from the closing or restructuring of manufacturing plants across the state has led to economic hardship for many communities. The likelihood of enticing such large manufacturers of non-durable goods to these regions in the future is slim. By encouraging growth of small businesses, which tend to have stronger ties to their location than their manufacturing predecessors, the state can fill the employment gap and give

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[73] The Empowerment Zone Fund: A Model, September 1995, Andrew M. Cuomo, Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development

more low income people the opportunity to succeed.

Comprehensive Neighborhood Revitalization

In previous years, one of the greatest criticisms of North Carolina's Small Cities Community Development Block Grant program has been that it is narrow and inflexible, limited mainly to housing rehabilitation, water, sewer, streets, and drainage. Communities have requested a more comprehensive approach to be allowed with CDBG funds. Comprehensive approaches to community development integrate economic, physical, environmental, and human development in a coordinated fashion, responding to the total needs in a community. Comprehensive neighborhood revitalization involves an ongoing process of expanding, rehabilitating, and maintaining affordable housing, and improving public facilities, resources, and services. At a municipal, county, or regional level, this may entail multi-year plans to identify priority areas and strategies to improve the quality of the physical, social, economic and housing conditions in those areas.

In response to this criticism, the North Carolina Division of Community Assistance has created the Revitalization Strategies program, which takes a holistic view of community development and allows, within parameters, any CDBG eligible activity within the project area. Furthermore, greater flexibility within the Concentrated Needs and Scattered Site Housing programs has been implemented.

Even with these new, innovative programs and designs, a common statement in regional focus groups was the need for the North Carolina Division of Community Assistance to continue to improve its design of the CDBG program to encourage more comprehensive and flexible approaches within project or neighborhood areas. Poor communities and families are best helped when the solutions are comprehensive and attack all the elements that cause poverty. The ability of the four partner agencies to adapt their guidelines to meet changing needs at the local level will be paramount to success.

Community Capacity Building

Local communities and officials know their local needs, as well as what housing and community building approaches will and will not work in their community. Allocating resources, setting priorities, and identifying the specific delivery system are decisions that should be made by local governments in conjunction with citizens and resource deliverers. Decision-makers at the neighborhood, local and state levels should have maximum flexibility to address local needs. Resources should be flexible enough to reach across multiple local jurisdictions and solve problems on an area-wide or regional basis.

Many rural communities have good ideas about what needs to be done to strengthen their communities, but struggle to launch and sustain projects that will produce real returns – financial, social, civic, educational and environmental – for all their citizens, whether they are black, white, Native

American, Latino or Asian, young or old, rich or poor. North Carolina's rural communities face a range of critical issues that demand urgent attention, defy easy solution, and have both direct and indirect effects on rural prosperity. These issues, including the need to improve education, adapt to rapid changes in the local and regional economy, prepare and retrain the workforce, continue sustainable economic development, preserve environmental quality, and adapt to increasing population diversity, will shape the lives of all citizens in the state. The specific solutions to these issues will be most effective when they are local and regional, developed from within, and tailored to each community. The ability of rural communities to address these issues successfully will determine whether they build on their considerable current strengths or lose ground in the future.

In many Regional Housing Needs meetings, citizens spoke of the importance of building the capacity of their community and its leadership to improve collaborative problem-solving and project implementation. Successful community development depends on a community's ability to marshal knowledge of best practices and mobilize broad-based leadership toward clear outcomes that benefit the whole population. Many communities struggle to launch and sustain community development ventures that produce real returns – financial, social, civic, educational, and environmental – for all of their citizens.

Another important theme from Regional Housing Needs meetings was the ability to work with the newest members of a community; recent immigrants who may not share the same ethnic or racial background of the community's more established residents. This issue is most evident among communities with a recent influx of Hispanic residents. Though reports of discord between long-time residents and new immigrants are very rare, community development professionals have indicated a need for state guidance on reaching out to the newest residents who may be in need of support and technical assistance on regulatory issues unique to new immigrants.

Economic Self-Sufficiency

In the past, the traditional way of thinking was that homeownership was the key to reducing poverty. New research indicates, however, that a "new" home is not the answer to reducing poverty for all poor people. Yes, it is beneficial to those individuals who are on the border of owning a home, but for extremely low-income people, those individuals 30% of Median Family Income, owning a home may be a difficult task. Though possibly able to afford a subsidized mortgage, the additional cost of maintenance, insurance, and taxes can make homeownership for many very- and extremely-low-income households an onerous burden. Affordable rental housing is often a better option. However, many experts believe that economic literacy is the key to reducing poverty. Tying in homeownership programs to economic and financial literacy, credit counseling, and housing counseling is key to breaking the cycle of poverty and creating wealth for low-income households. The best way for low-income people to attain self-sufficiency is acquiring financial skills through economic literacy programs. Self-sufficiency involves more than a job or a home; it is the building of self-esteem, worth, and responsibility, and creating a certain personal dignity, along with the financial savvy to make good decisions on use of credit and avoiding predatory lenders.

Individual Development Accounts (IDAs) Programs give economic incentives and training to low-income individuals for the purposes of homeownership, micro-enterprise, or education. Many poor people have never had any training of any kind in how to manage money; by giving them the opportunity to improve their credit rating and providing incentives to save, the state aims to instill some of the principles necessary to achieve self-sufficiency. There is a clear indication that learning to save is one of the largest obstacles to economic mobility and obtaining quality housing. Counseling programs that inform people of their economic options make investing in the future feasible and aspirations for education, homeownership, or starting or investing in a business a reality.

Conclusion

Although North Carolina has seen substantial losses in the manufacturing sector, its ability to diversify its economy in other employment sectors has created new potential for economic growth in both the urban centers and rural regions. Improving education and worker training, as well as developing the human capital throughout North Carolina will improve economic welfare for many of the state's low-to-moderate income residents. Furthermore, by continuing to diversify its employment base, the state will ensure that it remains competitive with other states in the Southeast.

Along with economic prosperity come many responsibilities. Economic disparities between areas and the protection of the environment are just two issues that North Carolina must recognize as challenges posed by economic growth. The urban/rural economic disparity is evident in the inability of rural local governments to provide proper infrastructure, harming not only future economic development but also residential quality of life.

CONSULTATIONS

According to federal regulations, state agencies are encouraged to consult with other public and private agencies that provide assisted housing, health services, and social services (including those focusing on services to children, elderly person, persons with disabilities, persons with HIV/AIDS and their families, homeless persons) during preparation of the plan. As a result, the North Carolina Consolidated Plan partner agencies coordinated consultations in different regions of the state, convening specific functional areas.

The required consultations that were conducted by each Consolidated Plan agency is detailed in the following chart.

Figure S.5: Consultation Table

Consultation	DCA	HFA	OEO	ACU
Housing Services	X	X	X	X
Social Services		X	X	
Health Services		X	X	
Homeless Services			X	
Lead-based Paint		X		
County (Metro. City)	X	X		
Metro. Planning Agencies	X	X		
HOPWA			X	X

AIDS Care Unit

The HIV/STD Prevention and Care Branch and the AIDS Care Unit work closely with several committees and planning groups throughout the state. The North Carolina AIDS Advisory Council (NCAAC) and the AIDS Care Unit Advisory Committee (ACUAC) are two existing structures and processes convened by the State Health Director and Branch to provide guidance on the use of HOPWA and other care and support resources, and on care- related policy issues. The AIDS Care Unit consults with the HIV Medications Program Advisory Committee, with their role being to help guide the State's AIDS Drug Assistance Program (ADAP), as well as serving as advisors on other medical issues.

Moreover, the HIV/STD Prevention and Care Branch and the North Carolina Department of Public Instruction have continued to coordinate activities through the North Carolina Comprehensive School Health Training Center. The School Health Training Center seeks to foster the development of competent programming related to sexuality. The Branch assists with the identification of agencies serving youth at risk and counties with high morbidity as it relates to HIV/STDs.

The Branch works closely with the Department of Corrections in order to support the availability and provision of quality services for HIV-infected individuals while they are within the correctional institutions and upon their release and return to the community.

Office of Economic Opportunity

As a member of the Interagency Council for Coordinating Homeless Programs (ICCHP), the DHHS Housing Task Force, and the NC Housing Coordination and Policy Council the Office of Economic Opportunity has the opportunity to consult and collaborate with a number of state agencies, homeless service providers, advocacy agencies, units of local government, elected officials and private housing developers to address the needs of the State's homeless population and to work toward the development of additional affordable housing in North Carolina.

Our fellow members of the ICCHP include the NC Housing Finance Agency, the state departments of Commerce, Correction, Administration, Juvenile Justice and Delinquency Prevention, Health and Human Services and Public Instruction, the NC Community College System, the NC General Assembly, six nonprofit organizations operating facilities for the homeless, two units of local government, a housing developer from the private sector and a representative of the homeless/formerly homeless.

Our membership on the Housing Coordination and Policy Council allows us the opportunity to consult on a regular basis with advocacy organizations such as the NC Housing Coalition and the NC Commission of Indian Affairs. The DHHS Work Group gives us the opportunity to consult with other agencies in the Department of Health and Human Services who work with one or more subpopulations of the homeless community including the mentally ill, substance abusers, the elderly and the disabled.

The input of the of these agencies, nonprofit organizations and government officials has helped our agency develop particular sections of this Plan particularly the overview and analysis of homeless needs and strategies to more effectively serve the State's homeless population over the next five years.

Division of Community Assistance

Since its inception in 1999, the Division of Community Assistance and local practitioners have continued to meet on a regular basis as the independent Community Development Partners Committee (CDPC) to review the State's Small Cities CDBG Program and make recommendations for improvement on the grants and policies within the program. This group, as well as its parent Community Development Committee, made up of local elected officials appointed by the Governor, have provided insight and local expertise to the Consolidated Plan process and its outcomes.

DCA staff made presentations at several constituent conferences, including the NC Community Development Association and the NC Housing Finance Agency's Housing Forum, to gain insight from local practitioners on the research, analysis, and results of the Consolidated Plan. DCA also holds numerous public and technical assistance workshops for particular grants it administers throughout the year, in which suggestions or comments about the CDBG program can be made at any time.

DCA staff also met with agencies that share a common goal with the Division of providing housing and community development services across the state, but are not one of the four partner agencies to the Consolidated Plan. The purposes of these meetings were to gather further information regarding the needs of low-and-moderate income residents and to explore increased collaboration toward meeting common goals. Such meetings were held with the

NC Rural Economic Development Center, the NC Department of Health and Human Services, Councils of Governments, the Statewide Independent Living Council, the NC IDA and Asset Building Collaborative, and the NC Fair Housing Center, among others.

Housing Finance Agency

In addition to the many information gathering sessions discussed in the public participation section (page 230), and in addition to its regular program application workshops held by Agency staff, in the months leading up to the development of this plan the NCHFA held various consultations; these were conversations or meetings in which housing needs, Agency programs or potential programs, or future plans were discussed, which contributed to the Consolidated Planning process and this plan. Consultations were held with staff from the following organizations:

- the IDA and Asset Building Collaborative,
- the consolidated planning partners DCA, ESG, and AIDS Care Unit,
- the Department of Health and Human Services,
- the North Carolina Justice Center,
- the North Carolina Low Income Housing Coalition,
- the Department of Environmental and Natural Resources,
- the Housing Partnership, and
- the Housing Coordination and Policy Council.

PUBLIC PARTICIPATION

The Consolidated Plan partners believe that public participation is one of the most important aspects to the Consolidated Plan. Without hearing from those who need and would benefit from our services and programs, organizations that provide services to low-income residents across the state, and communities that are in dire need of assistance for their residents, we would not be able to effectively design a plan that would best meet their needs and objectives.

After the initial data compiling and analysis was performed for the Housing Market Analysis and Needs Assessments, a series of sixteen workshops were held across the state to hear from residents, service providers, elected officials, and other interested parties. Though all four-partner agencies were involved in the preparation and presenting of the information, the North Carolina Housing Finance Agency acted as the lead agency in this effort. These workshops were held in Rocky Mount, Elizabeth City, New Bern, Wilmington, Sanford, Henderson, Lumberton, Fayetteville, Greensboro, Winston-Salem, Kannapolis, Boone, Morganton, Hendersonville, Asheville, and Bryson City. The purpose of these workshops were two-fold: 1) to disseminate the results from our data analysis and initial findings for the Housing Market Analysis and Needs Assessment to the public, and 2) to hear from attendees as to the validity of our findings from their perspective. The partners were interested in gathering qualitative data as well as hearing whether or not the data, primarily from the United States Census Bureau, was an accurate representation of what residents and community leaders were seeing on the ground.

In addition to the above workshops, presentations were made at the North Carolina Housing Finance Agency's annual Housing Forum. At the 2003 forum, the initial findings from the data analysis were revealed and comment was taken from dozens of attendees. At the 2004 forum, the final analysis was presented, inclusive of the comments received from the statewide workshops.

A workshop on the Housing Market Analysis and Needs Assessment was conducted during the Eighth Annual North Carolina Conference on Homelessness held November 30 and December 1 in Raleigh, North Carolina. During this workshop, participants were briefed on the information gathered at the 15 regional housing needs meetings.

The information from the workshops was then analyzed, focusing on recurring comments, especially those that crossed geographic lines. Furthermore, in addition to themes that were universal statewide, the partners were able to determine regional differences in housing and community development needs. This led to the utilization of urban and rural differences in activities and target populations for this plan.

A public hearing was held in Raleigh on February 8, 2005 for the Housing Market Analysis and Needs Assessment. Following that public hearing, four regional meetings were conducted across the state in order to receive further public input on the document. Those meetings were held in Fayetteville, Greenville, Salisbury, and Marion. A summary of the comments from the public hearing and regional meetings on the Housing Market Analysis and Needs Assessment is provided in Appendix I.

A public hearing for the entire Consolidated Plan was held in Raleigh on July 12, 2005. Like with the Housing Market Analysis and Needs Assessment, four regional meetings were conducted across the state in order to receive further public input on the complete draft plan. Those meetings were held in Wilmington, Roper, Salisbury, and Asheville.

A summary of the comments from the public hearing and regional meetings for the complete draft of the Consolidated Plan, as well as the written comments submitted during the public comment periods, is given in Appendix H.

The draft of the entire Consolidated Plan is also available to the public on the Internet at the Division of Community Assistance's web site at www.ncdca.org and the North Carolina Housing Finance Agency's web site at www.nchfa.com. Requests for paper copies can be made to the Division of Community Assistance. The Division can be reached via mail at 4313 Mail Service Center, Raleigh, NC 27699, by phone at (919) 733-2850, or via email to acain@ncdca.org.

CONTRIBUTORS

The directors of the Consolidated Plan partners thank the primary staff members whose hard work and dedication were instrumental to the production of this plan.

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APPENDICES

APPENDIX A: North Carolina Estimated Housing Needs

North Carolina Estimated Housing Needs				
Type of Household	**% MFI**	**Total Units Needed**	**Available Resources**	**Total Estimated to Meet Entire Need**
Small Related Renters	0-30% of MFI	43,296	CDBG, HOME, ESG, HOPWA, LIHTC, NC Housing Trust Fund	$865,920,000
	31-51% of MFI	11,410	CDBG, HOME, LIHTC, NC Housing Trust Fund	$228,200,000
	51-80% of MFI	7,013	CDBG, HOME, LIHTC, NC Housing Trust Fund	$140,260,000
Large Related Renters	0-30% of MFI	9,727	CDBG, HOME, ESG, HOPWA, LIHTC, NC Housing Trust Fund	$194,540,000
	31-51% of MFI	5,629	CDBG, HOME, LIHTC, NC Housing Trust Fund	$112,580,000
	51-80% of MFI	10,118	CDBG, HOME, LIHTC, NC Housing Trust Fund	$202,360,000
Elderly Renters	0-30% of MFI	19,110	CDBG, HOME, ESG, HOPWA, LIHTC, NC Housing Trust Fund	$382,200,000
	31-51% of MFI	5,733	CDBG, HOME, LIHTC, NC Housing Trust Fund	$114,660,000
	51-80% of MFI	1,787	CDBG, HOME, LIHTC, NC Housing Trust Fund	$ 35,740,000
All Other Renters	0-30% of MFI	44,557	CDBG, HOME, ESG, HOPWA, LIHTC, NC Housing Trust Fund	$891,140,000
	31-51% of MFI	13,691	CDBG, HOME, LIHTC, NC Housing Trust Fund	$273,820,000
	51-80% of MFI	3,586	CDBG, HOME, LIHTC, NC Housing Trust Fund	$ 71,720,000
Owner	0-30% of MFI	79,207	CDBG, HOME, NC Housing Trust Fund	$1,584,140,000
	31-51% of MFI	48,929	CDBG, HOME, LIHTC, NC Housing Trust Fund	$ 978,580,000
	51-80% of MFI	44,067	CDBG, HOME, LIHTC, NC Housing Trust Fund	$ 881,340,000

APPENDIX B: Descriptions of Partner Programs

Below is a list of housing-related programs and services administered by the AIDS Care Unit; the Department of Commerce, Division of Community Assistance; the North Carolina Housing Finance Agency; and the Office of Economic Opportunity. For additional information on each Agency's programs, contact the agency directly using the information given.

AIDS Care Unit

HIV/STD Prevention and Care Branch
North Carolina Department of Health and Human Services
1902 Mail Service Center, Raleigh, North Carolina 27699-1902
Phone 919.715.0136
www.schs.state.nc.us/epi/hiv

- **Housing Opportunities for Persons with AIDS (HOPWA)**

This program, funded by the U.S. Department of Housing and Urban Development, provides funds to states and cities with the largest number of cases of HIV/AIDS. The AIDS Care Unit administers the state entitlement grant for HOPWA, which provides services to 92 of the 100 counties in NC. Other entitlement communities include the Raleigh EMSA (which includes Wake, Franklin and Johnston counties) and the Charlotte EMSA (which includes Cabarrus, Gaston, Mecklenburg, Anson, York and Union counties). Funds are distributed to HIV Care Consortia, nonprofit housing and service organizations, local public housing authorities, and adult day/family care home providers. The state HOPWA program funds the following eligible activities: tenant-based rental assistance; supportive services; operating costs (dedicated housing facility); resource identification; housing information and short-term rent, mortgage and utility assistance.

- **Ryan White HIV Care Program (ADAP, MAI)**

This program provides funding to eight HIV Care Consortia (to plan, develop, and assure the delivery of essential outpatient health and support services for persons with HIV) and sixteen Primary Medical/Dental agencies (to provide primary medical and/or dental care to people living with HIV/AIDS). In addition, these program funds, in conjunction with state dollars, an **AIDS Drug Assistance Program (ADAP)** which provides life-sustaining medications to low-income North Carolinians diagnosed with HIV infection. Furthermore, the Ryan White HIV Care Program provides funds to the **Minority AIDS Initiative (MAI).** This initiative is designed to re-connect minorities who are living with HIV/AIDS and defined as "lost to care" for less than 12 months to appropriate medical care and services consistent with established standards of care, including case management.

- **Community Alternatives Program for Persons with AIDS (CAP/AIDS)**

This program prevents the institutionalization of persons living with AIDS through the provision of home- and community-based services, which cost-effectively address client care needs while allowing the participants to remain in home and community settings.

- **HIV Case Management Program (HIV/CMS)**

This program assists eligible individuals living with HIV/AIDS to prevent or alleviate social crises, which may threaten the quality of life. HIV/CMS is a client-focused strategy for coordinating care that assesses a client's need for specific health, psychological, and social services and facilitating access to services that will address those needs.

<u>Division of Community Assistance</u>
Department of Commerce
4313 Mail Service Center
Raleigh, North Carolina 27699-4313
Phone 919.733.2850
www.ncdca.org

Small Cities Community Development Block Grant Program:

- **Community Revitalization Program (CN, RS)**

This program provides funds to local governments to improve or develop residential areas for low-to-moderate income households in two subcategories: Concentrated Needs (CN) and Revitalization Strategies (RS). Grants for Concentrated Needs are primarily used for rehabilitation, water and sewer installation, streets, and drainage improvements, though other eligible activities are also allowed. Applications are accepted on a two-year funding cycle and all eligible applicants are rated and ranked through a competitive process. Awards of up to $700,000 are made on an annual basis from the ranked list of CN applicants. In 2006, projects will be awarded based on the highest rated remaining unfunded applications that were submitted in 2005. A system of regional allocation for distribution of funds in the CN category was implemented in 2005, and will be in place for the 2006 distribution. This regional allocation system will better ensure a level playing field for all applicants, regardless of location in the state, and allows for a greater diversity of activities.

The RS program is designed to provide grants to local governments to address multiple needs in a given community. Funds can be used for any CDBG-eligible activity as long as it is consistent with the overall strategy to help alleviate poverty in the designated area. Nine of the original ten communities that were chosen to receive RS funding in 2002 and have met their responsibilities for completion of activities in the first four years of the program will continue to receive funding through this program in 2006. One community's program was a four-year project and will not receive funds in 2006. Eligible applicants were Tier 1 and Tier 2 Counties and non-entitlement municipal governments with a designated State Development Zone. The guidelines and application for the next round of RS grants are scheduled to be released in early 2006 with awards made in late summer 2006, subject to availability of 2006 funds. The projects in this second round of RS funding will be eligible to receive funds from 2006-2011.

- **Scattered Site Housing Program (SSH)**

This program provides funds to local governments to address the most critical needs of families. Grants are made on a noncompetitive basis with $400,000 available to each county every three years. Funds are targeted to improve housing conditions of very-low income families. As lead agents, counties will receive funds by submitting a detailed plan, describing how funds will be distributed to meet housing priorities. These plans will involve all interested municipalities in the county. In 2006, the following counties are scheduled to receive Scattered Site Housing grants: Anson, Avery, Brunswick, Caldwell, Carteret, Catawba, Craven, Davidson, Duplin, Edgecombe, Forsyth, Graham, Granville, Greene, Hoke, Iredell, Jackson, Lenoir, Lincoln, McDowell, Moore, Pamlico, Perquimans, Pitt, Randolph, Rutherford, Stanly, Tyrrell, Union, Watauga, Wilson and Yadkin. In addition, the towns of Holly Springs and Linden are slated to receive SSH funds due to their eligibility to receive Small Cities State CDBG funds though each are located in an urban county (Wake and Cumberland, respectively). Holly Springs is eligible for $100,000 of SSH funds in 2006 and Linden is eligible for $50,000.

- **Economic Development (ED, UR)**

The Economic Development (ED) category fosters economic and job growth in North Carolina's rural areas by providing loans or grants to businesses that will hire low-to-moderate income residents. Sixty percent of the jobs created or retained in a project must benefit persons qualifying as prior low and moderate income (LMI).

This category will continue the policy adopted by the North Carolina General Assembly in the William S. Lee Quality Jobs and Business Expansion Act of 1996, as amended, of providing higher levels of funding to the most economically distressed areas of the state. Funding for economic development projects is based on the number of jobs to be created and the level of distress in the community applying for the funds. Areas with higher distress rankings, based on the North Carolina Tier rating system, are eligible for more funds per job created. Additional CDBG funding per job is available for projects proposed to be located in a State Development Zone or a 21st Century Communities as designated by the Secretary of Commerce.

CDBG funds are granted to local governments for various types of infrastructure improvements to assist business expansion or retention. A local funding match of at least one dollar for every three CDBG dollars is required except for designated Tier 1 counties and 21st Century Counties. In a secondary priority to infrastructure projects and at the discretion of the Secretary of Commerce, direct financial assistance to private companies is available as loans to be negotiated by the local government applicant and a participating North Carolina commercial bank at a level not to exceed 50% of the bank loan. Repayment of the loan by the private company becomes program income to the State and is deposited into a CDBG economic development revolving loan fund (RLF). Funding from the RLF is available only as loans.

Loans for industrial shell buildings are available from the RLF based on the projected number of jobs to be created and the level of distress in the community. These loans will be at a 2% interest rate with a maximum term of 5 years. A dollar for dollar match is required by the local government applicant for a industrial shell building. Also, up to $500,000 will be set aside in the RLF for counties in Tiers 1-3 as loans to assist with the costs associated with certifying industrial sites. These grants are repaid after the certified site is sold or within five years of award.

Funded from non-disbursed Economic Development funds, Urban Redevelopment (UR) grants will encourage increased economic activity in areas that have been designated as "Redevelopment Areas" or "Rehabilitation, Conservation, and Reconditioning Areas" under North Carolina Redevelopment Law. CDBG funds will be provided to municipalities to remove obstacles to private investment in the area by correcting code or safety violations or for historic preservation of deteriorated buildings, by improving infrastructure, by acquiring and clearing blighted property, and by addressing other conditions that contribute to the deterioration or under-investment in the area. Eligible projects must include commitments for the private investment that will be generated by the activities to be carried out with CDBG funds.

- **Infrastructure (IF, IF Hook-Up)**

In the infrastructure category (IF), eligible local governments may obtain grants of up to $750,000 to provide new infrastructure (public water and/or public sewer) to existing residential neighborhoods to correct problems that pose a severe health or environmental risk. The neighborhoods served by this program must have a majority of residents meet low-to-moderate income guidelines. Counties or municipalities must submit a detailed plan mapping the area and households to be targeted, show that the lines homes are to be hooked to are appropriate, that the system can absorb the additional demand as well as demonstrate the financial feasibility of the utility. In an effort to address needs in 21st Centuries Communities, half of the total IF funds will be available to local governments in the 21st Century Communities on an open-ended basis. The other half of the funds will be available to all eligible local governments. These grants are currently issued on a non-competitive basis, though DCA is determining whether or not to change the current application structure for 2006.

In addition to the IF category, the Infrastructure Hook-Up category (IFHU) provides funds to local governments to address access to proper water and wastewater facilities among its low-to-moderate income residents. Local governments may apply for up to $75,000 to hook households to water and wastewater facilities in low-to-moderate income areas where need is great due to environmental health concerns, but residents cannot afford the tap fees to access the lines. These grants are issued on a first-come, first-serve, non-competitive basis. Counties or municipalities must submit a detailed plan mapping the area and households to be targeted, show that the lines homes are to be hooked to are appropriate, that the system can absorb the additional demand as well as demonstrate the financial feasibility of the utility.

- **Housing Development Program (HD, IDA)**

This program provides grants to local governments to support affordable housing projects. These projects create additional units of affordable housing through single-family developments or multifamily units, for low- and moderate-income households. Eligible uses of CDBG funds include installation of public infrastructure (water, sewer streets, sidewalks, and drainage, on a case-by-case basis), the removal of hazardous material, acquisition of vacant land or vacant buildings by an eligible nonprofit, and certain rehabilitation activities (on a case-by-case basis). Priority will go to rental housing in Tier 1 & Tier 2 counties, North Carolina Small-Cities-eligible State Development Zones, and 21st Century Communities. Grant amounts are $18,000 per unit for single-family projects and $6,000 per unit for multifamily projects, and are not to exceed a total of $250,000. A sub-category within Housing Development is DCA's Individual Development Account (IDA) program. Through this program participants are introduced into the mainstream financial system, provided credit and housing counseling and homebuyer and financial literacy, and receive match money for down payment assistance upon successful completion of the program.

- **Urgent Needs (UN)**

This category is used to help meet community development needs that (1) have arisen during the preceding 18-month period, (2) pose an imminent threat to the health or safety of the community, (3) the applicant does not have sufficient local resources, (4) where other financial resources are not available to meet such needs. Due diligence will be conducted to determine whether projects meet the above 4-part test. Urgent Needs grants will be available on an as needed basis, or until funds are exhausted. Projects will generally be funded on first request basis. If more requests are made for funding than is currently available, the Secretary of Commerce may choose to fund the project that resolves the more serious situation, regardless of the order of submission of requests.

- **Capacity Building (CB)**

This category provides grants of up to $75,000 to local governments in order to assist non-profit organizations develop appropriate and competitive CDBG projects and gain functional capacity in a new and different role. The total amount of funds available for this program will not exceed $600,000. Funds are available on a first-come-first-serve basis with priority going to local governments from 21st Century Communities, Tier 1/Tier 2 Counties, and designated State Development Zones. A Capacity Building grant is expected to result in a future application in one of the CDBG categories. The funds for Capacity Building grants are made available from program income.

North Carolina Housing Finance Agency

P.O. Box 28066, Raleigh, North Carolina 27611-8066
Phone 919.877.5700
www.nchfa.com

- **Duke Power Home Energy Loan Program (Duke HELP)**

This program provides funds to Duke Power customers whose incomes are below 80% of area median. Assistance is channeled through local governments, nonprofit organizations, and regional councils. Duke HELP can be only used for energy-efficient measures to owner-occupied housing and must be matched with other funds to comprehensively rehabilitate all units assisted.

- **Home Protection Pilot Program (HPPP)**

This program assists homeowners in select counties who are at risk of foreclosure due to job loss. It provides zero-interest loans of up to $20,000 over 18 months with a maximum repayment term of 15 years to such homeowners with the expected ability to repay the loan in the future. The program also provides funding for housing counseling organizations to assist those homeowners.

- **Federal and State Low Income Housing Tax Credit Programs (Tax Credits)**

These programs encourage owners to produce rental housing for households below 60% of the area median income by allowing a 15-year federal tax credit and a refundable state tax credit. Developments remain affordable for 30 years due to an extended use agreement. For both these programs, the amount of credit a project receives is a percentage of its eligible basis. The North Carolina Tax Reform Allocation Committee sets policy for the Federal Tax Credit program. Tax credits are awarded to nonprofit and for-profit developers through a competitive funding cycle; the preliminary application deadline is in January, and the full application is usually due in May.

- **Individual Development Account Loan Pool (IDAP)**

This program provides up to $2,000 to match the savings of low-income households working toward homeownership. Recipients are also are eligible for $20,000 gap financing from NCHFA. The program is operated through selected Housing Counseling Agencies.

- **Key Program (KEY)**

This program is a partnership between NCHFA and the NC Department of Health and Human Services. It provides rental subsidies to low-income disabled tenants in properties that received federal Low Income Housing Tax Credits in 2004 or later. Eligible recipients must have income from a federal disability program and be referred by a designated Lead Agency. Lead Agencies are local service providers who have committed to coordinating services for recipients and have entered into a Memorandum of Understanding with a property owner.

- **Lead Abatement Partnership Program (LAPP)**

This program assists low-income homeowners with lead-poisoned children. In cooperation with the North Carolina Departments of Environmental and Natural Resources and Health and Human Services, the North Carolina Housing Finance Agency provides technical assistance and financial assistance in the form of small grants or larger, interest-free, deferred payment loans to homeowners.

- **Mortgage Credit Certificate (MCC)**

This program assists homebuyers with the purchase of new or existing homes by granting them a tax credit on their federal income taxes; it reduces the federal income tax liability for the homeowners. This leaves them with more disposable income; therefore, they are better able to qualify for a market-rate mortgage. Credits are awarded to individual households through participating lenders and are restricted to low- and moderate-income first-time homebuyers who are determined ineligible for the Agency's low interest rate mortgage loan.

- **Mortgage Revenue Bond Program and Down Payment Assistance Program (MRB, DAP, Job Loss Feature)**

This program offers mortgages through participating lenders to first-time homebuyers with low to moderate incomes at an interest rate below the market rate. Buyers may purchase new or existing homes and may qualify also for HOME-funded second-mortgage downpayment assistance. The DAP program will utilize ADDI funding in addition to regular HOME funding. The MRB program is funded by the sale of tax-exempt bonds.

- **New Homes Loan Pool Program (NHLP)**

This program provides interest-free, deferred second-mortgage loans of up to $20,000 for the purchase of newly constructed homes. Loans are provided to the low-income homebuyers referred by nonprofit organizations, units of local government, and regional organizations. Targeting homebuyers whose incomes are less than 80% of area median income on a first-come, first-served basis, this program has an open cycle for accepting membership and project applications. Grant funding is also available to participant organizations to bring for-sale units to a higher level of energy efficiency.

- **North Carolina Elderly Housing Rights and Consumer Protection Program**

This program provides information for consumers on housing rights and consumer protection issues such as homeowner rights and tenant/landlord fair housing rights. Program staff develops materials and trains advocates and service providers. The Agency also works with the Office of the Attorney General to provide training and certify high cost loan counselors, as requried by state statute.

- **Rental Production Program (RPP)**

This program provides loans of up to $1 million per development (this may be exceeded in some cases) for the production of rental housing, primarily targeting households below 50% of area median income.

- **Rental Preservation Loan Program (PLP)**

This program provides below-market-rate loans to rehabilitate affordable apartments. It targets the rental developments that would benefit from capital improvements but do not qualify for the Agency's other programs, which tend to be smaller properties in non-metropolitan areas. Eligible uses of the funds include the replacement of outdated major systems (such as HVAC), and meeting federal accessibility requirements. Agency construction standards will apply.

- **Reverse Mortgages for Elderly Homeowners**

This program gives older homeowners a vehicle for converting equity in their homes to cash, by providing reverse mortgages insured by the Federal Home Administration (FHA). Borrowers must be at least 62 years old and must participate in a mortgage counseling program offered by an approved reverse mortgage counselor. In North Carolina, the North Carolina Housing Finance Agency provides training and certifies reverse mortgage counselors, as required by state statute.

- **Rural Opportunity Mortgage (ROM) Program**

This program allows the United States Department of Agriculture-Rural Development to originate and close Agency 30-year below-market, fixed rate mortgages in conjunction with the USDA's Section 502 direct loans to help very-low- and low-income homebuyers.

- **Self-Help Loan Pool Program (SHLP)**

This program provides financing up to $15,000 per unit to self-help housing organizations. Mortgage loans at zero percent interest are provided to homebuyers who are usually below 50% of area median income. Grant funding is also available to participant organizations to bring the units they develop to a higher level of energy efficiency.

- **Single-Family Rehabilitation Program (SFR)**

This program provides deferred, forgivable loans to home owners through regional agencies, units of local government, and nonprofit organizations. The purpose is to rehabilitate moderately deteriorated owner-occupied homes, primarily targeting elderly and disabled homeowners below 80% of area median income. All units are brought up to stringent energy and construction standards.

- **Supportive Housing Development Program (SHDP)**

This program provides loans of up to $500,000 per project for the development of emergency, transitional or permanent supportive housing. Assistance is targeted primarily to households below 30% of area median income with special needs. Eligible populations include homeless individuals and families, mentally ill, developmentally disabled, persons with addiction disorders, survivors of domestic violence, and persons with HIV/AIDS. Eligible applicants are nonprofits and units of local government.

- **Supportive Predevelopment Loan Program**

This program provides predevelopment loans to nonprofit developers who are building supportive housing for low-income households with special needs. Funds may be used for architectural services, engineering work, and environmental reviews. Funding is open but limited by availability.

- **Urgent Repair Program (URP)**

This program provides grants to homeowners through nonprofit organizations, units of local government, and regional councils, to correct housing conditions that pose an imminent threat to life or safety of the household or cause an imminent threat to displacement. Assistance is targeted to homeowners with special needs earning below 30% of area median income. A Displacement Prevention Demonstration fund allows the Independent Living Program and local health departments to assist households facing displacement due to mobility limitations and lead paint poisoning.

Office of Economic Opportunity

North Carolina Department of Health and Human Services
2013 Mail Service Center, Raleigh, North Carolina 27699-2013
Phone 919.715.5850
www.dhhs.state.nc.us/oeo/

- **Community Services Block Grant Program (CSBG)**

This program is funded by the U.S. Department of Health and Human Services. It awards funds to community action agencies and limited purpose agencies, on a formula basis, for anti-poverty activities including eviction and foreclosure prevention.

- **Emergency Shelter Grants Program (ESG)**

This program provides grants for emergency shelter operations, essential services, and homeless prevention activities. It is funded by the U.S. Department of Housing and Urban Development and administered by the Office of Economic Opportunity. Funds are awarded to nonprofit organizations and/or units of local government on a pro-rata basis, and each grant recipient must provide a one-to-one match of funds.

- **Weatherization Assistance Program (WAP)**

This program provides funds to local community action agencies and other private, nonprofit agencies to install energy conservation measures in homes. This program serves primarily elderly and disabled households with incomes below 150% of the poverty level. This program is funded by the U.S. Department of Energy and the North Carolina Department of Health and Human Services – Division of Social Service Low Income Home Energy Assistance Program Block Grant.

- **Heating Air Repair Replacement Program (HARRP)**

This program provides funds to local community action agencies to replace or repair inefficient or unsafe heating system for low-income elderly individuals, disabled individuals, and low-income families with small children whose incomes do not exceed 150% of the poverty level. Eligible elderly and disabled homeowners can have cooling system repaired or replaced. The program is funded by the North Carolina Department of Health and Human Services – Division of Social Services through the Low Income Home Energy Assistance Program Block Grant.

APPENDIX C: Removal of Regulatory Barriers

North Carolina Response to
Questionnaire for HUD's Initiative on Removal of Regulatory Barriers
(HUD Form 27300)

June 3, 2004

The U.S. Department of Housing and Urban Development (HUD) has prepared a questionnaire to ascertain local and state efforts to remove regulatory barriers to affordable housing. This questionnaire has been incorporated into HUD's competitive grant applications, including Continuum of Care, Section 811, and Section 202. While applicants are not required to answer the questions, positive responses may result in up to 2 additional points for the scoring of the application. The questionnaire is divided into two parts: 1) Part A, which relates to projects submitted by local governments or applicants with projects in incorporated areas; and 2) Part B, which relates to projects submitted by state agencies or applicants with projects in unincorporated areas.

The following responses to the questionnaire relate to Part B only and were prepared by staff at the North Carolina Department of Environmental and Natural Resources, the North Carolina Housing Finance Agency, and the North Carolina Department of Health and Human Services. Assistance was provided by the Institute of Government at UNC-Chapel Hill and the state chapter of the American Planning Association.

Part B contains 15 questions and the responses below provide a total of four "yes" answers (See questions 10, 12, 13, and 15) which will enable applicants to receive one extra point on their application score.

For further information on the HUD Questionnaire, please contact Gary Dimmick, Director of Community Planning and Development, HUD Greensboro Office, 336-547-4006. For information concerning the responses to the HUD Questionnaire, please contact Candace H. Stowell at the North Carolina Housing Finance Agency, 919-877-5633 or chstowell@nchfa.com.

Part B – State Agencies and Departments or Other Applicants Applying for Projects Located in Unincorporated Areas or Areas Otherwise Not Covered in Part A

- Does your state, either in its planning and zoning enabling legislation or in any other legislation, require localities regulating development have a comprehensive plan with a "housing element" If no, skip to question #4.
  No.
  North Carolina law states that zoning regulations must comply with comprehensive plans, but there is no mention of "housing elements" in comprehensive plans (GS 160A-383).

- Does your state require that a local jurisdiction's comprehensive plan estimate current and anticipated housing needs, taking into account the anticipated growth of the region, for existing and future residents, including low-, moderate- and middle-income families, for at least the next five years?
  No.
  N/A

- Does your state's zoning enabling legislation require that a local jurisdiction's zoning ordinance have: (a) sufficient land use and density categories (multifamily housing, duplexes, small lot homes and other similar elements); and (b) sufficient land zoned or mapped in these categories, that can permit the building of affordable housing that addresses the needs identified in the comprehensive plan?
  No.
  N/A

- Does the state have an agency or office that includes a specific mission to determine whether local governments have policies or procedures that are raising costs or otherwise discouraging affordable housing?
  No.

- Does your state have a legal or administrative requirement that local governments undertake periodic self-examination of regulations and processes to assess their impact upon housing affordability and undertake actions to address these barriers to affordability?
  No.

- Does your state have a technical assistance or education program for local jurisdictions that includes assisting them in identifying regulatory barriers and in recommending strategies to local governments for their removal?
  No.

- Does your state have specific enabling legislation for local impact fees? If no, skip to question #9.
  No.
  There are some local governments that been given authority by the State to impose impact fees, such as Orange County, but there is no enabling legislation that applies to the whole state.

- If yes to question #7, does the state statute provide criteria that set standards for the allowable type of capital investments that have a direct relationship between the fee and the development (nexus) and a method for fee calculation
  No.
  N/A

- Does your state provide significant financial assistance to local governments for housing, community development and/or transportation that includes funding prioritization or linking funding on the basis of local regulatory barrier removal activities?
  No.

- Does your state have a mandatory state-wide building code that (a) does not permit local technical amendments and (b) uses a recent version (i.e., published in the last five years or, if no recent version has been published, the last version published) of one of the nationally recognized model building codes (i.e., the International Code Council (ICC), the Building Officials and Code Administrators International (OCA), the Southern Building Code Congress International (SBCI), the International Conference of Building Officials (ICBO), the National Fire Protection Association (NFPA)) without significant technical amendments or modifications?
  Alternatively, if the state has made significant technical amendments to the model code, can the state supply supporting data that the amendments do not negatively affect affordability?
  Yes.
  North Carolina uses ICC.

- Has your state adopted mandatory building code language regarding housing rehabilitation that encourages rehabilitation through gradated regulatory requirements applicable as different levels of work are performed in existing buildings? Such language increases regulatory requirements (the additional improvements required as a matter of regulatory policy) in proportion to the extent of rehabilitation that an owner/developer chooses to do on a voluntary basis and. For further information see HUD publication: "Smart Codes in your Community: A Guide to Building Rehabilitation Codes" (www.huduser.org/publications/destech/smartcodes.html).
  No.

- Within the past five years has your state made any changes to its own processes or requirements to streamline or consolidate the state's own approval processes involving permits for water or wastewater, environmental review, or other state-administered permits or programs involving housing development. If yes, briefly list these changes.
  Yes.
  The Department of Environment and Natural Resources (DENR) has made the following changes:
  <u>General permits</u> – *DENR has developed a large number of general permits for activities that are substantially similar. This allows projects to go forward without*

individually needing public notice. Probably where this is most significant for the development community is the Construction General Permit. This ties the federal requirement to the Erosion and Sediment Control Program existing in NC. Since there are more requirements at the federal level than the E&S Control program, there are additional conditions that have to be included in the NPDES permit. However, DENR has issued a general permit (requiring notice once every five years STATEWIDE, as opposed to each and every project requiring public notice), that is then issued to the construction activity as they get their E&S approval, whether it is done locally or by the Division of Land Resources. This is just one of the many general permits that DENR has issued.

<u>The wetlands "triage" process</u> - twice weekly, DENR staff triage the wetland 401 certification applications to determine if DENR can issue some rapidly through the existing general certifications or if DENR needs a more in depth review. About 50% of these projects are issued immediately following the triage process. The remainder of the projects either need additional information or a field visit/regional office involvement. DENR has delegated the authority to make decisions on the general certifications to five of the seven regional offices (the remaining two offices have not received delegation due to staff turnover and the delays of getting those projects resolved at that level). These are efforts to be responsive to the development community.

<u>Express permitting</u> – DENR has expanded this beyond the area of the permitting that the General Assembly initially directed DENR to implement, recognizing that some of the wastewater systems that people need permitted through the DENR nondischarge program are directly tied to development activities. DENR has had considerable success in our trial balloons and is working with the committees at the General Assembly on how this might be expanded.

DENR is working on a number of data management projects that should help speed up various activities as well, that should enable us to devote more dedicated efforts to increasing our efficiency and effectiveness in permitting.

- Within the past five years, has your state (e.g., Governor, legislature, planning department) directly or in partnership with major private or public stakeholders, convened or funded comprehensive studies, commissions or panels to review state or local rules, regulations, development standards, and processes to assess their impact on the supply of affordable housing?

  ***Yes**.*

  The State of North Carolina established a Commission on Smart Growth, Growth Management, and Development in 1999. The Commission's recommendations (Fall 2001) included several related to affordable housing. Goal 2.1 of the Community and Downtown Vitality Work Group calls for local communities to prepare "comprehensive local growth plans." One of the strategies listed under Goal 2.1 is to "require that all plans analyze the need for affordable housing based on available data and established criteria, and how needs will be addressed."

In addition, the North Carolina General Assembly created the Joint Legislative Growth Strategies Oversight Committee in January 2002. The Growth Strategies Oversight Committee will study the recommendations of the Commission on Smart Growth, Growth Management, and Development and will also consider additional strategies including "removing barriers to affordable housing and preserving housing choice…" The Oversight Committee will also "determine how to increase the full range of affordable housing opportunities for low-income and moderate-income North Carolinians." The Oversight Committee must submit recommendations to the General Assembly prior to January 16, 2005.

- Within the past five years, has the state initiated major regulatory reforms either as part of the above study or as a result of information identified in the barrier component of the state's "Consolidated Plan submitted to HUD" If yes, briefly list these major regulatory reforms.
  No.

- Has the state undertaken any other actions regarding local jurisdiction's regulation of housing development including permitting, land use, building or subdivision regulations, or other related administrative procedures? If yes, briefly list these actions.
  Yes.
  In 1987 the State approved legislation that a locality cannot refuse to zone any land for manufactured housing (GS 160A-383.1). In 1981, the State approved legislation that provides that certain family care homes must be treated as a residential use of property for zoning purposes (GS 168A-22). Family care homes cannot be excluded from residential zoning districts and local governments cannot impose special review requirements, such as a conditional or special use permits.

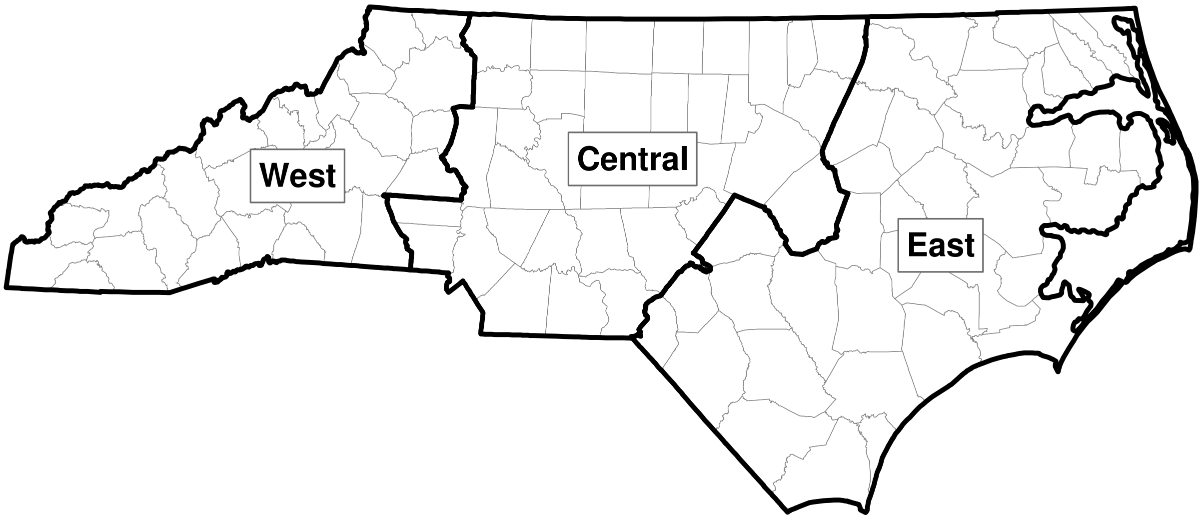
APPENDIX D: Homeless Facilities Inventory – June 2005

	Emergency (Beds)	Transitional (Beds)			Permanent Supportive (Units)			
		Individuals	Families	Total	Individuals	Families	Total	Notes
Alamance County	102	76	10	86	22	5	27	
Alexander County	8							DV ONLY
Allegheny County	10							
Anson County			12	12				
Ashe County	6				16		16	
Avery County	12							DV ONLY
Beaufort County	41							
Bertie County								
Bladen County								
Brunswick County	15							
Buncombe County	256	135	92	227	68	5	73	
Burke County	28		15	15				
Cabarrus County	78							
Caldwell County	20							
Camden County								
Caswell County	13							DV ONLY
Carteret County	15		9	9				
Catawba County	86	96	63	159				
Chatham County	14							DV ONLY
Cherokee County	86		14	14				
Chowan County								
Clay County	7							DV ONLY
Cleveland County	56							
Columbus County	11							DV ONLY
Craven County	32							
Cumberland County	94		60	60	11		11	
Currituck County								
Dare County	17							DV ONLY
Davidson County	120							
Davie County								
Duplin County	10							DV ONLY
Durham County	228	60	254	314	47	7	54	
Edgecombe County	60							
Forsyth County	312	86	141	227	64	19	83	
Franklin County	10							DV ONLY
Gaston County	106	29		29				
Gates County								
Graham County	21							DV ONLY
Granville County	11							
Greene County								
Guilford County	356	439	347	786	123	40	163	
Halifax County	15	12		12				
Harnett County	15							DV ONLY
Haywood County	34		6	6	74	2	76	
Henderson County	93							
Hertford County	18							DV ONLY
Hoke County								
Hyde County								
Iredell County	137							

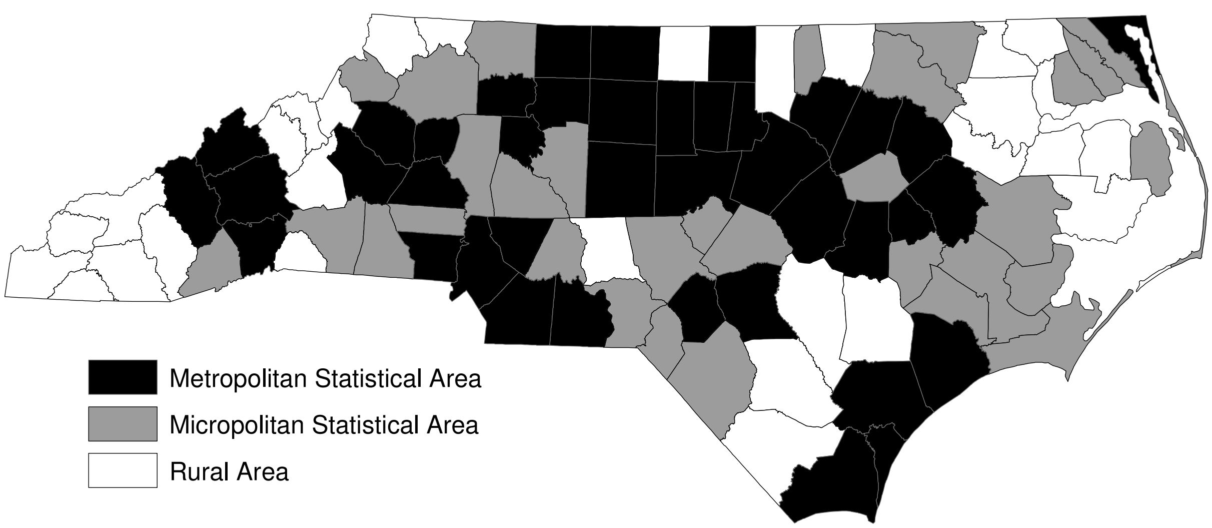
	Emergency (Beds)	Transitional (Beds)			Permanent Supportive (Units)			
		Individuals	Families	Total	Individuals	Families	Total	Notes
Jackson County	12	23		23				
Johnston County	22	20		20				
Jones County								
Lee County	55							
Lenoir County	15							DV ONLY
Lincoln County	15							DV ONLY
Macon County	27							DV ONLY
Madison County	9							DV ONLY
Martin County								
McDowell County	86							
Mecklenburg County	375	617	415	1032	290	114	404	
Mitchell County	6							DV ONLY
Montgomery County	24		8	8				
Moore County	22		12	12				
Nash County	38	73	56	129	8		8	
New Hanover County	270	55	52	107	16		16	
Northampton County								
Onslow County	67							
Orange County	72							
Pamlico County								
Pasquotank County	17							
Pender County	16							DV ONLY
Person County	12							DV ONLY
Perquimans County								
Pitt County	98	17	25	42		6	6	
Polk County	15							DV ONLY
Randolph County	17							DV ONLY
Richmond County	39		10	10				
Robeson County	7							DV ONLY
Rockingham County	35	12		12				
Rowan County	63		10	10				
Rutherford County	28							
Sampson County	9							DV ONLY
Scotland County	18		7	7				
Stanly County	16							DV ONLY
Stokes County	7							DV ONLY
Surry County	44							
Swain County	31							
Transylvania County	8							DV ONLY
Tyrrell County								
Union County	84	8		8				
Vance County	40	15		15				
Wake County	480	291	184	475	100	84	184	
Warren County								
Washington County								
Wautauga County	41	4	15	19	8		8	
Wayne County	81							
Wilkes County	18				7		7	
Wilson County	69	20		20				
Yadkin County								
Yancey County	7				7		7	
TOTAL	**4968**	**2088**	**1817**	**3905**	**861**	**282**	**1143**	
Sources:								
Emergency Shelter Grants (ESG) Program Grantees - Office of Economic Opportunity, DHHS								
Supportive Housing Development Program Grantees Serving Homeless - NC Housing Finance Agency								
Supportive Housing Program and Shelter Plus Care Grantees - Provided by HUD								
Additional Homeless Facilities - Provided by Continuums of Care in North Carolina								

APPENDIX E: County Designations

Eastern, Central, and Western Region Counties



Metropolitan, Micropolitan, and Rural Counties



APPENDIX F: Summary of NC Housing Problems

	Renters					Owners					
Household by Type, Income, & Housing Problem	Elderly	Small Related	Large Related	All Other	Total Renters	Elderly	Small Related	Large Related	All Other	Total Owners	Total Households
Income <=30% MFI	**51,929**	**70,745**	**14,760**	**72,215**	**209,649**	**87,075**	**39,175**	**8,010**	**31,100**	**165,360**	**375,009**
% with any problems	54.2	75.5	87	71.4	69.6	63.7	74.2	84.8	66.6	67.7	68.8
% Cost Burden >30%	52.5	72.3	73.9	69.8	66.6	62.9	73.1	75.3	65.6	66.4	66.5
% Cost Burden >50%	35.1	58	52.8	60.1	52.7	36.4	61.1	62	53	46.6	50
Income 30-50% MFI	**29,104**	**63,040**	**14,470**	**48,550**	**155,164**	**90,952**	**55,405**	**11,860**	**25,725**	**183,942**	**339,106**
% with any problems	48.7	63.7	77.4	76.1	66.1	32.2	62.6	78.7	59.8	48.2	56.4
% Cost Burden >30%	47.7	60	45.6	74.6	60.9	31.5	61.2	62.2	58.8	46.2	52.9
% Cost Burden >50%	18.7	14.4	7.1	26.7	18.4	14.9	34.2	28	36.8	24.6	21.8
Income 50-80% MFI	**21,025**	**92,280**	**22,140**	**83,385**	**218,830**	**112,935**	**137,959**	**29,905**	**58,179**	**338,978**	**557,808**
% with any problems	32.3	27.9	56.9	35.2	34	20.5	45.5	56.3	49.2	38.7	36.9
% Cost Burden >30%	31.2	21.5	11.7	33.2	25.9	20	43.9	37.1	48.6	36.1	32.1
% Cost Burden >50%	7.4	1.2	0.5	2.3	2.1	7	11.9	6.9	15.3	10.4	7.2
Income >80% MFI	**26,344**	**176,895**	**30,903**	**141,383**	**375,525**	**267,580**	**919,895**	**116,238**	**180,265**	**1,483,978**	**1,859,503**
% with any problems	14.7	6.6	41.3	5.5	9.6	7.6	9.9	20.6	16.9	11.1	10.8
% Cost Burden >30%	13	1.6	1.1	3	2.9	7.3	9.1	8.8	16.2	9.6	8.3
% Cost Burden >50%	4.8	0.1	0.1	0.1	0.4	1.3	1	0.8	2.2	1.2	1
Total Households	**128,402**	**402,960**	**82,273**	**345,533**	**959,168**	**558,542**	**1,152,434**	**166,013**	**295,269**	**2,172,258**	**3,131,426**
% with any problems	41.3	32.5	60.1	36.4	37.4	23	18.8	34.3	32.2	22.9	27.4
% Cost Burden >30	39.8	27.7	24.9	34.3	31.5	22.5	17.9	20.9	31.5	21.2	24.3
% Cost Burden >50	20.6	12.8	10.9	16.9	15.1	10.1	6	6.8	13.1	8.1	10.2

APPENDIX G: Summary of Condition Problems

These estimates are based on 2001 American Housing Survey data. They are calculated based on the assumption that North Carolina's occupied units experienced these problems in the same proportions as the AHS respondents in the South reported having these problems.

	Owner- and Renter-occupied units		
	% in South per AHS	Predicted Units in N.C.	# in N.C. per Census data
Kitchen			
lacking complete kitchen facilities	1.2%	36,201	16,202
have burners but no stove or range	0.2%	6,006	
only oven is microwave oven	0.4%	12,341	
Air Conditioning			
no room has AC	2.9%	91,160	
Heating			
no heating equipment	0.3%	8,063	
primary heating equipment is room heater without flue	3.8%	118,475	
primary heating equipment is portable electric heater	1.5%	46,074	
primary heating equipment is fire place with no insert	0.1%	2,468	
secondar heating equipment is room heater without flue	5.2%	162,409	
secondary heating equipment is portable electric heater	7.3%	228,887	
secondary heating equipment is fire place with no insert	4.3%	134,025	
uncomfortably cold for 24 hours or more last winter	6.2%	194,249	
reason: equipment breakdown	1.7%	54,054	
reason: utility interruption	2.0%	61,212	
reason: inadequate heating capacity	0.8%	24,682	
reason: inadequate insulation	0.5%	17,195	
reason: other or not reported	1.0%	32,087	
Plumbing			
lacking complete plumbing	1.0%	32,827	19,295
no hot & cold piped water	0.3%	10,120	
water stoppage in past 3 months of 6+ hours	2.3%	73,471	
water stoppage at least twice in past 3 months of 6+ hours	0.8%	26,575	
no flush toilet	0.2%	6,829	
not at least one flush toilet functioning at all times in last 3 months	4.8%	151,467	
Electrical Wiring			
no electrical wiring	0.1%	2,221	
fuses blown in last 3 months	9.5%	297,668	
exposed wiring	0.6%	17,936	
rooms without electric outlets	1.2%	37,599	
Water Leakage			
water leakage from inside structure in past 12 months	9.6%	300,548	
reason: fixtures backed-up or overflowed	2.8%	86,882	
reason: pipes leaked	4.0%	123,987	
reason: other or unknown	3.5%	108,931	
water leakage from outside structure in past 12 months	9.7%	304,826	
reason: roof	6.4%	199,103	
reason: basement	1.1%	34,144	
reason: walls, closed windows, or doors	1.9%	59,566	
reason: other or unknown	1.2%	38,422	
Other Condition Problems			
signs of rats in last 3 months	1.1%	33,979	
holes in floors	1.0%	31,840	
open cracks or holes in interior	5.3%	166,687	
broken plaster or peeling paint in interior	2.1%	65,408	

APPENDIX H: Summary of Consolidated Plan Regional Meetings and Written Comments

Oral Comments

Raleigh

- Put the unmet need totals next to the actual amount of funding and household accomplishments expected in the document to show the disparity between the two.
  Chris Estes – North Carolina Housing Coalition
  Response: This request will be completed to the greatest extent possible. However, due to data limitations and differences in reporting between Census data and that collected and required by HUD and its grantees, an exact comparison will not be possible.

- The priority chart at the beginning of the strategic plan is good. It does a fine job of showing where the need is across the state.
  Chris Estes – North Carolina Housing Coalition
  Response: The Consolidated Plan partners give their thanks for the positive feedback.

- The need for rent assistance is significant across the state, especially for high priority populations as deemed in the priorities chart.
  Chris Estes – North Carolina Housing Coalition
  Response: The Consolidated Plan partners agree that there is a significant need to assist our state's most vulnerable populations with housing affordability. Efforts are being made, such as NCHFA's new Key program to provide rent assistance, especially to those below 30% of median income and/or live on fixed income from sources such as SSI.

Wilmington

- If the federal government eliminates or cuts the amount of funding for the CDBG program, what will be the impact on the plan?
  Adrian Lowery – Lumber River Council of Governments
  Response: In the short term, if the funding is cut, then all CDBG categories will be reduced at the same percentage as the cut across the board. There is no provision in the plan for the elimination of CDBG because the current federal budget includes CDBG in it and the plan partners do not want to be too speculative on such scenarios.

- An explanation of what is expected to happen with the federal budget regarding CDBG should be added to the plan.
  Chris Hilbert - Holland Consulting Planners
  Response: DCA will look into adding such wording into the plan.

- More supportive housing for people with disabilities is needed.
  Response: New programs such as the HFA/DHHS Key program should help these populations in the future, and are included in the plan.

- Address financial fitness of people and clients before putting them into homeownership.
  Adrian Lowery – Lumber River Council of Governments
  Response: Programs such as DCA's and HFA's IDA program are addressing that issue.

- Do not make people homeowners if they are not fit to be, instead help the people that need assistance the most, even if homeownership is not the appropriate goal.
  Chris Hilbert - Holland Consulting Planners
  Response: The Consolidated Plan partners agree, and are focusing efforts as much as possible to assist those in the high priority categories.

- Beware not to encourage manufactured housing among those assisted.
  Adrian Lowery – Lumber River Council of Governments
  Response: Although DCA's IDA program does not allow manufactured housing, modular homes are permitted. In all other CDBG categories, it is up to the discretion of the client whether or not to purchase manufactured housing.

- Develop a strong second tier of stakeholders to provide services and referrals for your programs.
  Lori Goodell – Food Bank CENC of Wilmington
  Response: A strong group of local stakeholders is key to the success of every project, and the partners will continue to try to build those relationships.

- There is a lack of job training available. More jobs are needed with living wages. As jobs leave the area, it causes more problems, for example as the movie industry leaves the area.
  Response: DCA will continue to target a substantial portion of its funds into economic development. Furthermore, DCA will in the next year investigate ways to help dislocated workers create small businesses as an alternative economic development strategy, building off of the Entrepreneurial Assistance pilot launched in 2004.

- The amount of ESG money that goes into homelessness prevention needs to be increased. Foreclosure prevention monies need to be available.
  Response: The homeless providers state that the need for funds is in operations, so that is where the bulk of the money goes at this time.

- In the future, the "average Joe" should be reached by advertising in a community when a community receives an award, having booths at state fairs, and through the churches.

Lori Goodell – Food Bank CENC of Wilmington
<u>Response:</u> Many of these activities already take place, but the partners will take this under advisement.

- The needs assessment shows that the need for housing and community development dollars is in the eastern part of the state, yet the new regional allocation plan for CDBG Concentrated Needs dollars funnels much of the money to the central and western parts of the state. Distribution of dollars should be based on need, not politics.
  Chris Hilbert - Holland Consulting Planners
  <u>Response:</u> The regional allocation plan was approved by the state legislature, and takes into account data regarding distressed communities to best accommodate distribution. The program design continues to emphasize need.

- NCHFA's redone SFR program should not follow the county/three-year distribution plan like DCA's SSH category.
  Chris Hilbert – Holland Consulting Planners and Adrian Lowery – Lumber River Council of Governments
  <u>Response:</u> NCHFA will take this suggestion under advisement.

- Why can't we classify felons as people with special needs? All bonus points for transitional housing that will serve former felons.
  Frankie Roberts – LINC, Inc.
  <u>Response:</u> The partners will take that suggestion under advisement.

- DCA needs to provide more money to complete housing rehabs that have lead based paint.
  Chris Hilbert - Holland Consulting Planners
  <u>Response:</u> Considering the current budget situation of the CDBG program, the ability to find additional money for lead based paint abatement will be difficult, though DCA is aware of the additional burden lead based paint abatement is having on the ability to perform more housing rehabs across the state.

- Has there been any pressure to serve faith-based organizations?
  Bert Schuster – Capacity Consultants
  <u>Response:</u> HUD sent a memo reminding state organizations that there are no longer restrictions on working with faith-based groups, but there has been no undue pressure to work with such groups.

Salisbury

- CDBG funds should be available for homeless shelter construction and/or rehab.
  <u>Response:</u> The State Small Cities program has two categories that these activities are considered eligible: Concentrated Needs and Revitalization Strategies. DCA is investigating other ways to incorporate these activities into the program. To date, no local government has ever applied to do these activities.

- Default mortgage rate is skyrocketing, a source of funds for emergency foreclosure prevention is necessary.
  Response: The new Home Protection Pilot Program being offered by HFA is designed to do just that. It will be expanded in 2006.

- There is not enough access for people at the local level to know about these programs. Local organizations need to be taught how to collaborate and work with potential funders.
  Response: The Consolidated Plan partners will continue to try to expand outreach efforts to reach all interest groups and providers.

- More funds are needed for self-sufficiency activities.
  Response: DCA currently uses its IDA and RS programs for self-sufficiency training, but will investigate its use in other categories.

- There is a lack of capacity for developers of supportive housing.
  Response: The Consolidated Plan partners hope to work in the future with possible developers of supportive housing to ensure quality housing for all North Carolinians.

- Funding has not been provided to support those released from institutions.
  Response: Due to mental health reform, this is a new population that will need to be served in a larger capacity in the future, and the partners will investigate ways to do so.

- There is a lack of proper housing for people released from correctional institutions.
  Response: Release from a correctional institution is not a protected status by law, so it is difficult for the partners to set aside housing for these populations. However, the partners are not unwilling to work with local organizers to see how such an arrangement may work.

- There is a huge need for housing for people on SSI.
  Response: New programs such as the HFA/DHHS Key program should help the disabled population in the future with rent assistance, and are included in the plan.

- There is no clearinghouse or database of supportive housing statewide.
  Response: HFA is addressing that issue and creating such a database for release within the next year.

- Housing projects need to be located near services and/or public transport.
  Response: That is a comment that has been stated on many occasions. HFA and DCA will look over their guidelines to see if there are ways to improve and help ensure that proper siting and smart growth principles are taken into account on new housing projects, keeping in mind the possible financial burdens of meeting those goals.

Roper

- Include training and outreach for case managers for disability services so that they know how to access programs such as those mentioned in the Consolidated Plan.
  Response: The Consolidated Plan partners will take this suggestion under advisement.

- A different term is needed for "short term supportive housing", such as facilitated housing. There is a great need for such housing across the state for those being released from nursing homes, mental health facilities, etc.
  Response: The Consolidated Plan partners will take this suggestion under advisement.

- Rental costs are rising for SSDI as well as SSI recipients (reference to wording on page 168).
  Response: The partners recognize the financial burdens for housing on SSDI as well as SSI recipients and will make the change in the plan accordingly.

- There is a lack of programs to move people to self-sufficiency.
  Response: DCA currently uses its IDA and RS programs for self-sufficiency training, but will investigate its use in other categories.

- There is a need for advocacy of rent control as an LMI housing policy.
  Bianca Gentile – Beaufort County Program for the Rural Carolinas
  Response: Though rent control has worked to stem the rise of rents beyond affordability in many urban areas across the country, there have also been negative impacts. The partners will take this policy suggestion into account, but are also limited by the actions that federal regulations allow the partners to take and a lack of enabling legislation to impose rent control on a local level.

Asheville

- Keep CDBG Scattered Site Housing program the way it is.
  Michelle Ball, High Country Council of Governments
  Response: There are no current plans to change the SSH program.

- The Concentrated Needs guidelines are difficult for the western communities to work with. They need to be made more flexible.
  Teresa Johnson, Isothermal Regional Council
  Response: For the 2005 application year many changes were made to the Concentrated Needs guidelines in order to address perceived discrepancies in state funding. The General Assembly approved a regional distribution process of Concentrated Needs to address these concerns.

- Allow local option for well & septic repair in the Scattered Site Housing program.
  Response: DCA is planning to allow such a local option beginning in 2006.

- There is a great need for accessible housing, alter the wording in the document to include full accessibility.
  Response: The partners are working to improve the wording of that section of the document and will take the suggestion under advisement.

- Incorporate accessibility in replacement housing. Make it a topic in the Scattered Site Housing workshops.
  Response: DCA will take this comment under advisement as we look at incorporating this duty into the role provided by DCA's accessibility specialist.

- Raise the limit on housing rehabs above $30,000.
  Response: The $30,000 limit is a HUD-mandated limit, but can be increased through proper procedure.

- There is a tremendous lack of understanding about how broad the reach of fair housing is among local elected officials.
  Response: The partners are currently drafting the new Analysis of Impediments to Fair Housing for the state. Based on the recommendations in that draft, an action plan that can address that issue with specific strategies will be adopted.

- Metropolitan areas in North Carolina are using a rehab code. This needs to be adopted statewide.
  Response: The partners will take that suggestion under advisement.

Written Comments

Twelve written comments were submitted during the public comment period (July 12 – September 9, 2005). They are summarized below with the corresponding response.

- The plan reads not as a plan but as a report. In the future, the Consolidated Plan should be constructed as a more dynamic document and more clearly address the multitude of housing and community development needs that exist in North Carolina. Make a greater connection between the Needs Assessment, the Estimated Housing Needs, and the activities to be undertaken to address those needs. Shift more funds to high priority needs.
  Chris Estes, North Carolina Housing Coalition
  Response: The Consolidated Plan partners welcome any suggestions on ways to make the document more helpful, constructive, and dynamic for housing and community development service providers across the state. The Executive Summary has been updated since the public hearing to address the concerns regarding a connection between the Needs Assessment, Estimated Housing Needs, and the activities to be undertaken.

- Make various changes throughout the document to better include concerns about accessibility for disabled persons, particularly regarding provision of pathways in the home. Identify the North Carolina Fair Housing Center and the North Carolina State University College of Design as entities to assist in the development of and education on fair housing laws.
  Leslie Young, North Carolina State University College of Design
  Response: Additional language regarding accessibility will be added where appropriate. Language regarding the North Carolina Fair Housing Center and the North Carolina State University College of Design will be added.

- The new breakdown of housing needs into priority categories is important for providing benchmarks. However, there is a disparity between the items that are designated as high priority and the amount of funding provided to those items. Specifically, the amount of funding for homeless prevention is inadequate; the amount of funding for the creation of new supportive housing units and the number of units to be built is insufficient to meet the need; operating assistance for homeless shelters is not enough; the Division of Community Assistance should be more specific in its guidelines for housing development to ensure fairness and consistency; funds should be more concentrated in specific activities so that real results can be seen; the draft plan has no goal for using federal funds for rental assistance for high priority renters; use of the term "unit" to determine housing costs is not appropriate because of the differences in sizes of "units", instead calculate per square foot; many counties have no homeless shelter at all, and many that do are only for domestic violence victims, demonstrating that the state is not doing nearly enough for its homeless population.
  Terry Allebaugh, Council to End Homelessness in Durham
  Response:

- Thank you for the work on the Pathways statement, it is very encouraging.
  Mark Steele
  Response: The Consolidated Plan partners appreciate the positive comment.

- Anticipated funding to meet the needs of homeless persons and other high priority populations is woefully inadequate. It is suggested that the amount of housing assistance for homeless persons with disabilities is doubled and the amount of funding for non-homeless persons with special needs is also doubled.
  Rich Lee, Durham Affordable Housing Coalition
  Response: The Consolidated Plan partners will take these considerations into account.

- Consider launching the previously discussed grants for a comprehensive housing plan pilot program.
  Teresa Johnson, City of Lumberton
  Response: If funding and staffing levels permit, DCA hopes to roll out a pilot program to provide funding for the creation of community development plans for localities.

- There should be a way to increase knowledge among the public for HOPWA funds available for tenant-based rental assistance. Also, the term "ending up" regarding adult care facilities is inappropriate.
  Judy Hoag, ETHIVC
  Response: Thank you for alerting us to the negative connotation in that sentence, it will be reworded for the final draft.

- The Consolidated Plan needs to clearly support equitable funding for the Western Region of the state. The county-wide Scattered Site Housing program from DCA needs to remain the way it is. Rural areas need to gain funding support to meet their housing, infrastructure, and planning needs.
  Karen Kiehna, Land of Sky Council of Governments
  Response: The Consolidated Plan addresses the housing and community development needs of the state on a regional and countywide basis, where applicable, and the partners strive to meet those needs as adequately as possible. There are no plans at DCA to change the format of funding for the Scattered Site Housing program.

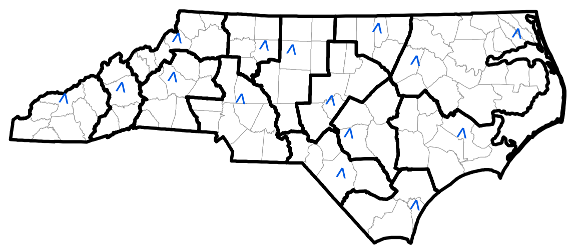
- Accessibility should be included in all cases where affordability of housing is discussed in the plan.
  Charles Luther, Statewide Independent Living Council
  Response: Where applicable, the partners have added language regarding accessibility.

- Concern that youth and young adults in foster care are not specifically identified in the plan. For these young people exiting foster care finding affordable housing can be very difficult.
  Joan McAllister, NC LINKS Program
  Response: Though not addressed specifically, as presumably high priority renters assistance to this population will be addressed through activities aimed at high priority renters.

- Changes need to be made to the Section 108 loan program administered by the North Carolina Department of Commerce to address the following: 1) allow non-entitlement cities to apply for Section 108 loans on the basis of HUD Firm Commitments, 2) permit the use of financial guarantees by private developers, 3) better enable non-entitlement communities to apply for funding under the BEDI program.
  Thomas Darden, Cherokee Investment Partners, LLC
  Response: DCA and the North Carolina Department of Commerce welcome all suggestions to improve the Section 108 loan program and will take them under advisement.

APPENDIX I: Summary of Needs Assessment Regional Meetings

From April 2004 through July 2004, the North Carolina Consolidated Plan partners held 15 regional housing needs meetings (see map below) in Rocky Mount, Elizabeth City, New Bern, Wilmington, Fayetteville, Lumberton, Henderson, Sanford, Greensboro, Winston-Salem, Kannapolis, Morganton, Boone, Asheville, and Bryson City. These meetings were designed to help NCHFA gain qualitative information to complement the data already collected for the housing needs and market analysis. In all, almost 200 people participated in the meetings, including many organizations funded by the Consolidated Plan partners.



Common Themes

Across the state, there were a number of common housing needs identified.

- Every region strongly expressed a need for more rent assistance. The largest need identified in almost every meeting was rental housing for those with incomes below 30% of the area median family income (MFI) and rent assistance was identified as vital to serving that population. The downsizing of the federal Section 8 housing voucher program was frequently mentioned as being likely to add to this need in the future.
- Most regions stated that their housing stock had condition problems (something not well identified by existing sources of data). The condition of the rental stock was particularly of concern.
- Most regions expressed that housing needs within each county were not uniform. While the reason varied across the state – serving as "bedroom communities" to larger cities in the Central region and vacationers and retirees in the East and the West – the end result is that many counties have two entirely different sets of needs and should not be looked at as one unit. Most participants agreed that if the housing needs and market analysis looked at the state by census tract instead of by county it would present a much more accurate view of the state.
- Most regions are experiencing increased homelessness. Many of the regions thought that the changing economy and increasing foreclosures were to blame. Most thought that the unemployment figures for their region underrepresented the actual number of people out of work because many had given up looking and were no longer being

counted. Those that have been reemployed are earning significantly lower wages and are unable to afford what they previously could have.

- The rising cost of homeownership was also cited as a problem in much of the state. In most of the rural regions of the state, inadequate infrastructure was blamed for the lack of affordable starter homes.
- The increase in the Hispanic population throughout North Carolina has altered the way many housing and community development service providers have performed outreach into the community.

Specific Regional Issues

While there were some themes common across the state, the potential solutions identified differed. For example, in some regions the consensus was that there was enough rental housing stock already built; but that stock needed significant rehabilitation and rental assistance in order to function as adequate and affordable housing. In others, participants thought that the region did not have enough rental stock of any condition and that new construction was desperately needed. Some regions also presented difficulties unique from the rest of the state.

- In the West, methamphetamine labs are becoming an increasing problem. Housing units that used to house a methamphetamine lab can pose a serious health threat to future tenants – especially children. The Boone meeting in particular expressed this as a large threat.
- All of the western meetings cited land costs, site improvement, and infrastructure costs as prohibitive to affordable housing development (both rental and homeownership). Lack of wastewater infrastructure has also been a public health, environmental, and economic development issue in the western counties.
- In the Fayetteville, Lumberton, and New Bern meetings the military's influence on the housing market was discussed. Fayetteville had a large number of abandoned homes and lots for sale. Participants in the Lumberton meeting stated that northern Hoke County is becoming a bedroom community to the military bases to the north. The New Bern meeting was the only meeting where participants did not see a need for rental housing (particularly participants from Jacksonville). They felt that because of the military base they had enough rental housing, but that homeownership was not affordable because the homes being built were priced for the high-paid contractors coming in to work at the base. Participants at the Wilmington meeting noted that New Hanover County is almost entirely built out. Any development activity taking place there will need to be rehabilitation, as there is not any land left for new construction.
- Participants at the Wilmington meeting noted that New Hanover County is almost entirely built out. Any development activity taking place there will need to be rehabilitation, as there is not any land left for new construction.
- Participants in the Rocky Mount, New Bern and Morganton meetings stated that a lack of knowledge regarding the home buying and financing process was a particular

hindrance to many renters hoping to become homeowners in the near future. Participants in the New Bern meeting stated that predatory lending and the inability of many low-to-moderate income households to access mainstream financial institutions was a major problem in their region.

- Participants in the Asheville meeting stated that the Fair Market Rent (determined by the U.S. Department of Housing and Urban Development) was unrealistically low. This is creating problems for Section 8 voucher holders who cannot find an apartment to rent for the Fair Market Rent.
- While participants of the Asheville meeting concluded that extremely low-income renters had the highest needs in their area, they also expressed that it is becoming increasingly difficult for renters to become first-time home buyers due to the soaring price of homes. This was echoed in Boone, where participants stated that households earning even 120% of Median Family Income were struggling to buy their first home.

APPENDIX J: Needs Assessment Definitions

Cost burdened:
Paying more than 30% of its gross income for housing costs. For renters, housing costs include rent paid by the tenant plus utilities. For owners, housing costs include mortgage payment, taxes, insurance, and utilities.

Extremely Cost Burdened:
Paying more than 50% of its gross income for housing costs. For renters, housing costs include rent paid by the tenant plus utilities. For owners, housing costs include mortgage payment, taxes, insurance, and utilities.

Extremely Low-Income:
A household is classified as extremely low-income if it earns less than or equal to 30% of the area median family income.

Fair Market Rent or FMR:
In general, the FMR for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities. The FMR is generally set to the 40th percentile rent of units that meet the quality standards mentioned above.

Household Type:
For the purpose of examining housing problems, HUD has defined the following household types:
- *Elderly*: 1 or 2 member households, with at least one person aged 62 or older.
- *Small Related*: Families with 2 to 4 members not included in Elderly
- *Large Related*: Families with 5 or more members
- *All other renters (or owners)*: Any household not included in any of the above definitions.

Housing Problem:
According to the HUD's definition of housing problem, a household has a cost burden greater than 30% of income and/or is overcrowded and/or is without complete kitchen or plumbing facilities. (See also cost burdening, overcrowding, plumbing facilities, and kitchen facilities).

Kitchen facilities:
A unit is defined by the Census as having complete kitchen facilities when it has all of the following: (1) a sink with piped water; (2) a range, **or** cook top <u>and</u> oven; and (3) a refrigerator. All kitchen facilities must be located in the house, apartment, or mobile home, but they need not be in the same room. A housing unit having only a microwave or portable heating equipment, such as a hot plate or camping stove, should not be considered as having complete kitchen facilities. An ice box is not considered to be a refrigerator.

Low-Income:
A household is classified as low-income if it earns greater than 50%, but less than or equal to 80% of the area median family income.

Overcrowded:
The commonly accepted definition of an overcrowded housing unit is one that has more than one occupant per room. For each unit, rooms include living rooms, dining rooms, kitchens, bedrooms, finished recreation rooms, enclosed porches suitable for year-round use, and lodgers' rooms. Excluded are strip or □ullman kitchens, bathrooms, open porches, balconies, halls or foyers, half-rooms, utility rooms, unfinished attics or basements, or other unfinished space

used for storage. A partially divided room is a separate room only if there is a partition from floor to ceiling, but not if the partition consists solely of shelves or cabinets.

Plumbing facilities:
Complete plumbing facilities are defined by the Census including: (1) hot and cold piped water; (2) a flush toilet; and (3) a bathtub or shower. All three facilities must be located in the housing unit.

South Region:
Defined by the Census Bureau as including: Maryland, Delaware, West Virginia, Virginia, Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas.

South Atlantic Division:
Referred to in the text as "the region". Defined by the Census Bureau as including: Maryland, Delaware, West Virginia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

Units in Structure:
A structure is a separate building that either has open spaces on all sides or is separated from other structures by dividing walls that extend from ground to roof. In determining the number of units in a structure, all housing units, both occupied and vacant, are counted. Stores and office space are excluded. The statistics are presented for the number of housing units in structures of specified type and size, not for the number of residential buildings. The types of structures are defined below:
- *1-unit, detached*. This is a 1-unit structure detached from any other house; that is, with open space on all four sides. Such structures are considered detached even if they have an adjoining shed or garage. A 1-family house that contains a business is considered detached as long as the building has open space on all four sides. Mobile homes to which one or more permanent rooms have been added or built also are included.
- *1-unit, attached*. This is a 1-unit structure that has one or more walls extending from ground to roof separating it from adjoining structures. In row houses (sometimes called townhouses), double houses, or houses attached to nonresidential structures, each house is a separate, attached structure if the dividing or common wall goes from ground to roof.
- *2 or more units*. These are units in structures containing 2 or more housing units, further categorized as units in structures with 2, 3 or 4, 5 to 9, 10 to 19, 20 to 49, and 50 or more units.
- *Mobile home*. Both occupied and vacant mobile homes to which no permanent rooms have been added are counted in this category. Mobile homes used only for business purposes or for extra sleeping space and mobile homes for sale on a dealer's lot, at the factory, or in storage are not counted in the housing inventory. In 1990, the category was "mobile home or trailer."
- *Boat, RV, van, etc*. This category is for any living quarters occupied as a housing unit that does not fit in the previous categories. Examples that fit in this category are houseboats, railroad cars, campers, and vans.

Very Low-Income:
A household is classified as very low-income if it earns greater than 30%, but less than or equal to 50% of the area median family income.

APPENDIX K: General Affordable Housing Definitions

Abatement: any set of measures designed to permanently eliminate lead-based paint, asbestos, or other hazards in accordance with federal standards.

Affordable Housing: Housing for which the occupant is paying no more than 30 percent of gross income for total housing costs, including rent, mortgage payments, condominium fees, utilities, taxes, and insurance, as applicable for rental or owned housing units.

HIV/AIDS: The disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for the disease. The human immunodeficiency virus is the retrovirus recognized by most scientists as the cause of AIDS.

Alcohol/Other Drug Addiction: A serious and persistent abuse of alcohol or drugs that significantly limits a person's ability to live independently.

Area of Low-Income Concentration: Counties in which 20% or more of the population is in poverty.

Area of Racial/Ethnic Minority Concentration: Counties in which minorities make up 34% or more of the county population.

Assisted Household or Person: A household or person benefitting directly from a housing program included in the jurisdiction's investment plan during the period covered by the CHAS Annual Plan; a renter is assisted if he/she receives rental assistance or takes occupancy of a rental unit that is newly acquired, rehabilitated, or constructed; an existing homeowner is assisted if his/her house is rehabilitated using program funds; a first-time home buyer is assisted if he/she receives counseling, down payment, closing cost, or financing assistance to purchase a home; a homeless person is assisted if he/she becomes an occupant of permanent or transitional housing; a non-homeless person with special needs is assisted if the provision of supportive services is linked to the acquisition, rehabilitation, or new construction of a housing unit and/or rental assistance.

Births: total number of live births occurring to residents of an area during the period, as reported from the Census Bureau's Federal-State Cooperative Program for Population Estimates (FSCPE) and the National Center for Health Statistics.

Certification: A written assertion, based on supporting evidence, that must be kept available for inspection by HUD, by the Inspector General of HUD, and by the public. The assertion shall be deemed to be accurate unless HUD determines otherwise, after inspecting the evidence and providing due notice and opportunity for comment.

Committed: A legally binding promise of funds to a specific project to undertake specific housing-related activities.

Community Development Corporation: A nonprofit corporation whose activities and decisions are initiated, managed, and controlled by its constituencies, and whose primary mission is to develop and improve low-income communities and neighborhoods through economic and related development. Community development corporations were enabled by Title VII Special Impact of the Economic Opportunity Act of 1964.

Community Housing Development Organization: A nonprofit with demonstrated capacity to successfully carry out the development and management of affordable housing that maintains significant accountability to low-income community residents of their communities.

Consolidated Plan: The document that is submitted to HUD that serves as the planning document (comprehensive housing affordability strategy and community development plan) of the jurisdiction and an application for funding under any of the Community Planning and Development formula grant programs (CDBG, ESG, HOME, or HOPWA), which is prepared in accordance with the process prescribed in this part.

Consortium: An organization of geographically contiguous units of general local government that are acting as a single unit of general local government for purposes of the HOME program (see 24 CFR part 92).

Cost Burden: The extent to which housing costs, including rent, mortgage payments, condominium fees, utilities, taxes, and insurance, as applicable for rental or owned housing units, exceed 30 percent of gross family income.

Deaths: Total number of deaths occurring within the resident population of an area during the period, as reported by the Census Bureau's Federal-State Cooperative Program for Population Estimates (FSCPE) and the National Center for Health Statistics.

Disabled Household: A household composed of one or more persons at least one of whom is an adult with a disability.

Disabled Individual: A person with a physical, mental, developmental, or emotional impairment that is expected to be of indefinite duration, that substantially impedes his or her ability to live independently, and that is of such a nature that the ability could be improved by more suitable housing conditions.

Economic Independence and Self-Sufficiency Programs: Programs undertaken by Public Housing Authorities to promote economic independence and self-sufficiency for participating tenant families.

Elderly Household: A household of no more than two persons in which at least one member is at least 62 years of age.

Elderly Person: A person who is at least 62 years of age.

Emergency Shelter: Any facility with overnight sleeping accommodations, the primary purpose of which is to provide temporary shelter for the homeless in general or for specific populations of the homeless.

Encapsulation: A method of abatement which involves the sealing of existing surfaces with durable surface coatings that prevents any part of lead-containing paint or asbestos from becoming part of house dust or otherwise accessible to children.

Existing Homeowner: an owner-occupant who holds legal title to residential property and used as his/her principal residence.

Extremely low-income family: Family whose income is between 0 and 30 percent of the median income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 30 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

Fair Market Rent: the rent established annually by the U.S. Department of Housing and Urban Development used to determine federal subsidy rates. Fair Market Rents includes the cost of utilities (excluding telephone), ranges and refrigerators, and all maintenance, management, and other services that would be required to be paid in order to rent privately owned, decent, safe, and sanitary rental housing of a modest nature with suitable amenities in a given market area.

Family: A householder and one or more other persons living in the same household are related by birth, marriage, or adoption (Census definition).

Farmworker: Any person who, for an agreed remuneration or rate of pay, performs labor for another to work in any aspect of the production of farm or forestry products.

Federal Preference for Admission: the preference given to applicants for certain kinds of federal housing assistance who are involuntarily displaced, homeless, living in substandard housing, or paying more than 50 percent of gross household income for rent.

First-time Home buyer: an individual or family who has not owned a home during a specified period (differs for different programs) preceding the assisted purchase of a home that is to be used as the principal residence of the home buyer.

Frail Elderly: those adults at least 62 years of age who are unable to perform at least three activities of daily living activities such as eating, dressing, bathing, grooming, and household management activities.

Group Quarters: Facilities providing living quarters that are not classified as housing units such as prisons, nursing homes, dormitories, military barracks, and shelters (Census Definition).

HAMFI: U.S. Department of Housing and Urban Development-Adjusted Median Family Incomes (HAMFI) are estimated for a family of four. They vary by family size and by metropolitan area or by non metropolitan county. The income for the non metropolitan part of the state is used instead of the non metropolitan county, where the state income is higher. The income figures are adjusted for high rent and low income areas. The income figures were based on the same period on the same period of time and same metropolitan area definitions as were used for the 1990 Census.

Head of Household: Generally the person in whose name the home is owned, being bought or rented and who is listed in Column 1 of the Census questionnaire.

Headship Rate: The ratio of household heads to population used to translate population information into housing demand.

Homeless family with children: A family composed of the following types of homeless persons: at least one parent or guardian and one child under the age of 18; a pregnant woman; or a person in the process of securing legal custody of a person under the age of 18.

Homeless person: A youth (17 years or younger) not accompanied by an adult (18 years or older) or an adult without children, who is homeless (not imprisoned or otherwise detained pursuant to an Act of Congress or a State law), including the following:

- **(1)** An individual who lacks a fixed, regular, and adequate nighttime residence; and
- **(2)** An individual who has a primary nighttime residence that is:
    - **(i)** A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);
    - **(ii)** An institution that provides a temporary residence for individuals intended to be institutionalized; or
    - **(iii)** A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

Homeless subpopulations: Include but are not limited to the following categories of homeless persons: severely mentally ill only, alcohol/drug addicted only, severely mentally ill and alcohol/drug addicted, fleeing domestic violence, youth, and persons with HIV/AIDS.

Homeless Youth: an unaccompanied person 17 years of age or younger who is homeless.

Household: one or more persons occupying a housing unit; the occupants may be a related household, one person living alone, or a group of unrelated persons who share living arrangements.

Housing Problems: Households with housing problems include those that lack complete plumbing or kitchen facilities, are overcrowded, and/or pay more than 30 percent of gross income for total housing expenses.

Housing Unit: An occupied or vacant house, apartment, mobile home, group of rooms, or a single room intended as separate living quarters.

Housing and Urban Development, U.S. Department of (HUD): Federal agency which administers the majority of federal housing programs and which develops national housing policy.

Institutional Quarters: Group quarters for persons under care or custody in institutions, including correctional facilities, nursing homes, psychiatric hospitals, schools, hospitals, and wards for the disabled.

Jurisdiction: A State or unit of general local government.

Kitchen Facilities: A unit is classified as having complete kitchen facilities when it has, located within the structure but not necessarily in the same room, an installed sink with piped water, a range, cooktop, and convection or microwave oven (or cookstove), and a refrigerator.

Large Related Households: households of five or more persons which includes at least one person related to the householder by blood, marriage, or adoption.

Large Family: Family of five or more persons.

Large Family Unit: A housing unit containing at least three bedrooms.

Lead-Based Paint Hazard: any condition that causes exposure to lead from lead-contaminated dust, lead-contaminated soil, lead-contaminated paint that is deteriorated or present in accessible surfaces, friction surfaces, or impact surfaces that would result in adverse human health effects.

Low-Income Families: Low-income families whose incomes do not exceed 50 percent of the median family income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

Low Income Housing Tax Credit: Federal program administered by the Internal Revenue Service through which tax credits are allocated to affordable housing developers to raise equity capital for the production of rental housing for households earning less than 60 percent of the area median income.

Low-Income Households: Households whose incomes do not exceed 80 percent of the median income for the area as determined by HUD.

Market Vacancy Rate: The number of vacant units available for sale or rent expressed as a percentage of the number of units in the market.

Median Income: That income level at which an equal number of families/households have incomes above the level as below; the median income is based on the distribution of the incomes of all families/households including those with no income.

Middle-Income Family: Family whose income is between 80 percent and 95 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 95 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. (This corresponds to the term "moderate income family" under the CHAS statute, 42 U.S.C. 12705.)

Migrant Farmworker: Farmworkers who have no permanent home and move from region to region seeking employment as farmlaborers.

Moderate-Income Family: Family whose income does not exceed 80 percent of the median income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

Moderate-Income Households: Households whose incomes are between 81 and 95 percent of the median income for the area, as determined by HUD.

Moderate Rehabilitation: Rehabilitation of residential property at an average cost for the project not in excess of $25,000 per dwelling unit.

Natural Increase: Births minus deaths in an area. The rate of natural increase expresses natural increase during a time period as a percentage of an area's initial population.

Net Domestic Migration: The difference between domestic in-migration to an area and domestic out-migration from it during the period. Domestic in-migration and out-migration consist of moves where both the origins and destinations are within the United States (excluding Puerto Rico). The net domestic migration rate expresses net domestic migration during a time period as a percentage of an area's initial population.

Net International Migration: The difference between migration to an area from outside the United States (immigration) and migration from the area to outside the United States (emigration) during the period. For the purposes of these population estimates, the geographic extent of the United States is defined as excluding Puerto Rico. Net international migration includes: (1) legal immigration to the United States as reported by the Immigration and Naturalization Service, (2) an estimate of net undocumented immigration from abroad, (3) an estimate of emigration from the United States, and (4) net movement between Puerto Rico and the (balance of) the United States. The net international migration rate expresses net international migration during a time period as a percentage of an area's initial population.

Numeric Population Change: The difference between the population of an area at the beginning and end of a time period.

Overcrowded Housing Unit: For purposes of describing relative housing needs, a housing unit containing more than one person per room.

Percent Change: The difference between the population of an area at the beginning and end of a time period, expressed as a percentage of the beginning population.

Person with a Disability: A person who is determined to:

(1) Have a physical, mental or emotional impairment that:

- **(i)** Is expected to be of long-continued and indefinite duration;
- **(ii)** Substantially impedes his or her ability to live independently; and
- **(iii)** Is of such a nature that the ability could be improved by more suitable housing conditions; or

(2) Have a developmental disability, as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001-6007); or

(3) Be the surviving member or members of any family that had been living in an assisted unit with the deceased member of the family who had a disability at the time of his or her death.

Physical Defects: H housing unit lacking complete kitchen and/or bathroom facilities, or lacking electricity, or having structural deficiencies.

Plumbing Facilities: Hot and cold piped water, a flush toilet, and a bathtub or shower. All three facilities must be located inside the house, apartment, or mobile home but not necessarily in the same room for a unit to be defined as having complete plumbing, and need not be for the exclusive use of the household.

Population Estimate: The estimated population is the computed number of persons living in the area (resident population) as of July 1. The estimated population is calculated from a demographic components of change model that incorporates information on natural change (births and deaths) and net migration (net domestic migration and net movement from abroad) that has occurred in the area since the reference date of the 1990 census.

Poverty Level Family: Family with an income below the poverty line, as defined by the Office of Management and Budget and revised annually.

Project-Based Rental Assistance: Public rental assistance provided directly to the owner or sponsor of a housing development to subsidize the rents of all eligible units**.**

Public Housing Comprehensive Improvement Assistance Program: Provides federal aid to Public and Indian Housing Authorities to finance capital improvements in public housing developments with fewer than 250 units.

Rental Assistance: A subsidy covering the difference between the Fair Market Rent and 30 percent of an eligible household's income.

Renter: A household that rents the housing unit it occupies, including both units rented for cash and units occupied without cash payment of rent (Census definition).

Rural and Economic Development: An agency of the federal government that serves as the primary lender for housing and infrastructure improvements for rural areas.

Seasonal Farmworker: A farmworker who works during the growing and harvest season and then returns to a permanent home in the off-season.

Severe Cost Burden: The extent to which housing costs, including rent, mortgage payments, condominium fees, utilities, taxes, and insurance, as applicable for rented or owned housing units, exceed 50 percent of a total gross household income.

Sheltered Homeless: Persons whose primary nighttime residence is a supervised publicly or privately operated shelter such as an emergency, transitional, battered women, or homeless youth shelter and commercial hotels and motels used to house the homeless.

Special Needs: The primary populations include the elderly, frail elderly, persons with severe mental illness, the developmentally-disabled, the physically disabled, persons with alcohol or other drug addiction, and persons with HIV/AIDS.

State: Any State of the United States and the Commonwealth of Puerto Rico.

Substandard: Units that lack complete plumbing or kitchen facilities as defined by the U.S. Bureau of the Census; units that do not meet building code standards.

Supportive Housing: Housing units, including units in group quarters, that have a supportive environment and an associated planned service component.

Supportive Services: Services such as case management, medical or psychological counseling and supervision, child care, transportation, and job training provided for the purpose of facilitating the independence of residents.

TANF: Under The Temporary Assistance for Needy Families (TANF) program, states receive a fixed block grant of federal TANF funds targeted to low income families which is more flexible and can be used for a variety of programs.

Tenant-Based Rental Assistance: A form of rental assistance in which the assisted tenant may move from dwelling unit to dwelling unit with a right to continued assistance.

Total Vacancy Rate: The proportion of all units regardless of their status as seasonal or migratory dwellings vacant at the time of the Census enumeration.

Transitional Housing: A project that is designed to provide housing and appropriate supportive services to homeless persons to facilitate movement to independent living within 24 months, or a longer period approved by HUD. For purposes of the HOME program, there is no HUD- approved time period for moving to independent living.

Unit of General Local Government: A city, town, township, county, parish, village, or other general purpose political subdivision of a State; an urban county; and a consortium of such political subdivisions recognized by HUD in accordance with the HOME program (24 CFR part 92) or the CDBG program (24 CFR part 570).

Unsheltered Homeless: Homeless families and individuals whose primary nighttime residence is a public or private place not designed for a regular sleeping accommodation such as streets, sidewalks, cars, vacant and abandoned buildings.

Urban County: See definition in 24 CFR 570.3.

Vacant For Rent: Year round housing units which are vacant and available for rent (Census definition).

Vacant For Sale: Year round housing units which are vacant and available for sale only (Census definition).

Very Low-Income Families: Families whose incomes do not exceed 50 percent of the median family income for the area, as determined by HUD.

Year-Round Housing Units: Occupied and vacant housing units, not including units for seasonal or migratory use, intended for year-round use (Census definition).

APPENDIX L: North Carolina State Analysis of Impediments and Fair Housing Plan